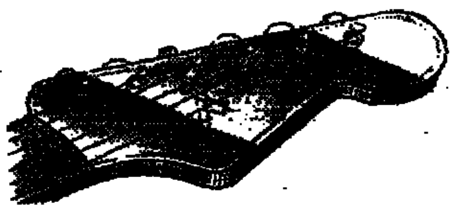
US-EC trade talks

Personal chemistry is vital to the equation

Page 11



Music industry

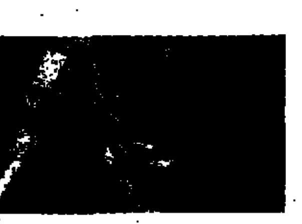
Playing safe with the same old tunes

Page 6

UK economy

Pessimism has gone too far

Page 10



Marketing

Selling coffee to the Brazilians

Page 7

FINANCIAL TIMES

Europe's Business Newspaper — THURSDAY FEBRUARY 11 1993 — D8523A

Ford loses $7.4bn as rule change brings big charge

Ford Motor of the US yesterday reported a $7.4bn loss for 1992 compared with a loss of $2.25bn a year earlier. The size of last year's losses was due largely to a $6.9bn non-cash charge to meet changes in accounting rules. The Ford charge is one of the highest reported, but it will be dwarfed by a $20.8bn charge due to be announced by General Motors today. Page 13; NBC apologises, Page 12

Framatome may buy Schneider arm: French electrical engineering group Schneider is in talks about selling its Jeumont-Schneider, electronic components arm to state-owned nuclear reactor supplier Framatome. Page 14

Toyota profits fall: Japan's leading vehicle maker reported a 22.3 per cent drop in interim taxable profits. It blamed lower interest income and exchange rate losses. Page 17

Canon poised for hardware deal: Japanese office equipment maker Canon is set to acquire the computer hardware business of innovative US company Next Computer, in which it already holds a 16.7 per cent stake. Page 13

Colin Powell considers early retirement

General Colin Powell (left) is thinking of retiring early as chairman of the US joint chiefs of staff, but he denied this was because of disagreements with the Clinton administration. Gen Powell's second two-year term as chairman of the joint chiefs expires in September. Page 12

Jail for Irish bomb supplier: Irishman James Canning, 37, was jailed for 30 years in London after being found guilty of conspiring to cause explosions, possessing explosives and having six Kalashnikov rifles.

Call for Danube monitors: Bulgaria and Romania have asked the United Nations to station monitors at ports on the lower Danube to check whether sanctions against the rump of the former Yugoslavia are being observed.

Action against Citibank: Court-appointed officials running UK conglomerate Polly Peck International have started legal action in London against US bank Citibank to try to recover about £75m of missing funds. Page 21

Commercial Union, the UK insurer, launched a £428m rights issue to fund expansion in the UK and international markets for general and life insurance. Page 13; Lex, Page 12

Rough diamond prices are rising for the first time in almost three years. South Africa's De Beers, which controls about 80 per cent of the market, said it was putting prices up by an average 1.5 per cent. Page 22

Repelling boarders: Britain has issued its first official notice telling shipowners how to protect vessels from pirates. Crews are advised to turn fire hoses on attackers, but the ban on guns aboard merchant ships will stay in place.

Taiwan fighter production: Taiwan is to start mass producing its domestically-developed Indigenous Defence Fighter aircraft next year. It aims to make 250 of the fighters by 1999.

Asia pipeline plan: China and Japan's Mitsubishi Corporation are to study the feasibility of building a 4,200-mile trans-Asia natural gas pipeline.

Tapie sparks row: French urban affairs minister and businessman Bernard Tapie created a row with his political allies in the Left Radicals Movement by announcing he would run for parliament in a colleague's constituency.

Human rights group highlights jail risk: Aboriginals are 17 times more likely to be jailed than other Australians, according to Amnesty International. The human rights group said Australia's criminal justice system made Aborigines vulnerable to violation of their right to be treated with humanity and respect.

Honorary consul: Robin Geldard, a Cardiff-based commercial lawyer, is to be Japan's first honorary consul in Wales. Japanese companies employ more than 13,000 Welsh workers.

High hops: German brewers are hoping that a US Spacelab experiment will help produce new and better types of hops. Astronauts will test hops for the effects of radiation and weightlessness.

STOCK MARKET INDICES

FT-SE 100:	2,816.4	(-14.9)
Yield	4.34	
FT-SE Eurotrack 100	1,121.56	(-2.64)
FT-A All-Share	1,374.98	(-0.5)
Nikkei	17,689.98	(+67.63)
New York: lunchtime		
Dow Jones Ind Ave	3,410.53	(-4.05)
S&P Composite	446.25	(+0.92)

US LUNCHTIME RATES

Federal Funds:	2⅞%
3-mo Treas Bills: Yld	2.972%
Long Bond	105⅜
Yield	7.184%

LONDON MONEY

3-mo Interbank	6¼%	(same)
Liffe long gilt future:	Mar 101⅔	(Mar101 ⅜)

NORTH SEA OIL (Argus)

Brent 15-day (Mar)	$18.40	(18.25)

Gold

New York Comex (Feb)	$333.4	(329.4)
London	$330.15	(328.15)

STERLING

New York lunchtime:		
$	1.4255	
London:		
$	1.4275	(1.4305)
DM	2.3625	(same)
FFr	7.985	(7.9875)
SFr	2.19	(2.1875)
Y	172.5	(173.5)
£ index	78.4	(78.6)

DOLLAR

New York lunchtime:		
DM	1.6565	
FFr	5.5895	
SFr	1.5365	
Y	121.265	
London:		
DM	1.655	(1.652)
FFr	5.6	(5.59)
SFr	1.534	(1.529)
Y	120.9	(121.35)
$ index	67.8	(same)
Tokyo close Y 121.82		

Austria	Sch30	Greece	Dr300	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft182	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr160	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25.00	India	Rs40	Neth	Fl 3.75	Slovak Rp	Kcs45
Cyprus	C£1.00	Indonesia	Rp3600	Nigeria	Naira20	Spain	Pts200
Czech Rp	Kcs45	Israel	Shk5.90	Norway	NKr16.00	Sweden	SKr15
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Switz	SFr3.20
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Syria	S£50.00
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Thailand	Bht60
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Tunisia	Din1.250
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	Turkey	L7000
						UAE	Dh11.00

Steel output guidelines may be set by Brussels

Commission will refrain from dictating price levels

By Lionel Barber and Andrew Hill in Brussels

THE European Commission is considering a new role as EC steel market supervisor, setting non-binding guidelines on future production levels.

The plan, aimed at tackling Europe's steel industry crisis, is under review in Brussels. But the Commission will stop short of dictating prices and production levels to individual companies, like the "crisis cartel" set up by Viscount Etienne Davignon, then industry commissioner, during the early 1980s, EC officials stressed yesterday.

Under the proposals, Brussels would lay down recommendations on production and delivery levels within the EC for each quarter. EC officials maintained yesterday that this would not encourage a cartel. "We don't have to tell them what to do," said an EC official, "and they don't have to phone each other."

Another measure under review is for the steel industry to pool "crisis funds" for the restructuring of each individual sector.

The Commission is anxious to place the burden of decisions about restructuring on Europe's steelmakers, and does not wish to be accused of manipulating the market. But Brussels believes it has a vital role to play as broker between steelmakers and governments.

EC officials said yesterday the Commission will make clear it is willing to support an industry-wide restructuring plan only if Europe's steel-makers produce a "definite" closure programme by the end of September which can be carried out by the end of 1994, according to a senior EC official.

A future rescue plan is also heavily dependent on the support of EC member states which would have to bear a portion of the EC funding of up to Ecu900m to cover redundancy costs. The overall cost of restructuring could be more than Ecu6bn, according to a report by Mr Fernand Braun, the EC's special steel envoy.

But the Braun report warns that without a rescue plan involving some increase in prices in the next few weeks or months, some of Europe's largest steel makers will see their cash flow dry up or turn negative by the end of the year.

The report, delivered to the Commission last week, includes a range of potential cuts in capacity which were put on the table by around 70 managing directors of EC steel companies in the past four months.

Mr Martin Bangemann, EC Industry commissioner, has begun canvassing fellow Commissioners' support and will have to present formal proposals next Wednesday. The EC will discuss the steel industry crisis at a special meeting on February 25.

The deepening recession forced steelmakers to raise earlier estimates of possible capacity cuts to 25.8m tonnes of crude steel and 17.9m of rolled products.

At least 50,000 jobs are likely to be lost in the plant closures, leading to an estimated Ecu2.5bn in social costs and Ecu3.5bn in industrial costs, the report says.

Certain manufacturers and governments, for example in Spain, are already concerned that they will be forced to cut more capacity than they would like. But Commission officials are adamant that this time around the industry will have to agree a closure plan first.

Belgium pledges to defend jittery franc

By Andrew Hill in Brussels, Antonia Sharpe in London and David Waller in Frankfurt

BELGIUM said yesterday it would use "all possible means" to defend its currency, as the Belgian franc was caught up in the latest bout of nervousness in the exchange rate mechanism.

The Belgian National Bank raised its end-of-day interest rates – applied to primary dealers and banks' daily currency investments – from 8.8 per cent to 9.3 per cent to help protect the currency.

The step helped the Belgian franc to strengthen within the ERM, after several days of weakness.

Belgian's interest rate action, countering the recent trend of lower European credit costs, came as the German Bundesbank yesterday fractionally cut its money market rates.

In its first money market operations since it cut the Lombard and discount rates last Thursday, the Bundesbank reduced its securities repurchase rate from 8.57-8.58 per cent to 8.50-8.51 per cent.

The cut was smaller than expected after the Bundesbank cut the Lombard rate by half a point and the discount rate by 0.25 of a point.

In a move related to last week's heavy ERM intervention to support the Danish krone, Denmark's central bank yesterday borrowed $1bn in the international bond market to strengthen its foreign exchange reserves.

Mr Niels Sorensen, a senior official at Denmark's National Bank, said the central bank's reserves had fallen considerably in February. "When the speculation subsides, money usually flows back [into the krone], but since we are not sure when that will be, we thought it would be a good idea to do some borrowing," Mr Sorensen said.

In Brussels, Mr Alfons Verplaetse, governor of the Belgian central bank, said: "I'm convinced that right now there is no speculation going on against the Belgian franc.

"It's true to say that the currency markets are very nervous, but whatever the nature of this nervousness one can't say that we [only] defend the Belgian franc when things are going smoothly," Mr Verplaetse said.

Mr Verplaetse added he was sure the French franc was "a solid currency". He could not envisage a situation in which the German and French central banks would collaborate to support the French franc and the D-Mark, leaving the Benelux currencies undefended.

Barre sounds alarm, Page 2
Currencies, Page 30

Tiny Rowland (right) and Dieter Bock explained yesterday how their new joint chief executive arrangement would operate at Lonrho, the international trading conglomerate. Mr Rowland is likely to spend more time in Africa, while Mr Bock will focus on financing. Although Mr Rowland named Mr Bock as his successor, he said he intended to continue as joint chief executive for at least three years........................ Page 13

Italian Socialist justice minister resigns

By Robert Graham in Rome

ITALY'S fragile coalition government yesterday suffered its most serious blow when Mr Claudio Martelli, the Socialist justice minister, announced his resignation after becoming the latest casualty in the country's growing corruption scandal.

Mr Martelli's resignation came after he was told that he was under investigation for corruption related to a secret Swiss bank account alleged to have been used to siphon bribes paid to the ruling Socialist party.

The party, which now has only six ministers left in the 24-strong coalition government, is due to open a special two-day assembly today to find a successor to Mr Bettino Craxi, whose job Mr Martelli was eager to secure.

Last night magistrates issued a sixth warrant against Mr Craxi. Earlier, Milan magistrates said they had prepared a fifth warrant advising him he was under investigation for alleged corruption and illicit party financing.

The latest warrant against the Socialist party chief in the unfolding scandal which broke last February is connected with similar allegations made against Mr Martelli. These relate to the fraudulent bankruptcy in 1982 of the Banco Ambrosiano.

Both the Socialists and the Christian Democrats, which dominate the coalition, last night appeared determined to prevent the crisis leading to the downfall of the six-month-old government.

Mr Martelli, 49, was deputy head of the previous government and one of the most ambitious of the younger generation of politicians. His resignation knocks one further nail in the coffin of the existing political parties, whose discredit grows almost daily as magistrates carry out new arrests and make fresh charges in their investigations into corruption.

Mr Martelli resigned as he was about to be served with a warrant by Milan magistrates which said he was under investigation for allegations made by witnesses who confessed to collecting illicit party funds in the municipal corruption scandal.

Mr Martelli has consistently denied newspaper allegations of involvement in the corruption scandal and links to an account at the Lugano branch of the Union de Banques Suisses held by the Socialist party.

Although three ministers in the current government have been served with notice of being investigated by magistrates for a variety of alleged offences, Mr

Continued on Page 12

World Stock Markets, Page 34

Major faces party rebels over Maastricht treaty

By Ivo Dawnay, David Gardner and Ivor Owen

THE government threw down the gauntlet to Conservative Euro-sceptics and the opposition parties yesterday by insisting it would rather sink the Maastricht treaty outright than accept British adherence to the social chapter.

But as Mr Douglas Hurd, the foreign secretary, issued the warning, Lord Tebbit, a former party chairman, urged Tory MPs to defy the leadership and vote for a Labour amendment on the social chapter – expressly in order to destroy the treaty.

In a vituperative speech to political journalists, the arch Euro-sceptic argued that support for the amendment would not lead to its imposition. He said: "Those who are fighting to preserve self-government for Britain are well entitled to use every procedural device to destroy the treaty".

Lord Tebbit's intervention provoked an outcry from government loyalists and put the anti-Maastricht faction on the defensive. Sir Teddy Taylor, a leading opponent of the treaty, described it as unhelpful, but added: "There is no way we are going to co-operate in the treaty going through if we don't get a referendum."

The latest outbreak of internecine warfare within the Tory ranks came as Mr Jacques

Editorial Comment ...Page 11

Delors, the European Commission president, joined the fray by implicitly criticising the UK with his most stinging attack yet on the "renationalisation" of economic policy in the EC.

In a Strasbourg speech presenting the Commission's programme for 1993-94, he said competitive devaluations were jeopardising plans for economic and monetary union and "the very idea of a united Europe". Mr Delors also warned that Brussels would "take up the cudgels again" to get controversial items from the EC's Social Charter into Community law – a move that will confirm the worst fears of British Conservatives.

The government's decision to raise the stakes over the vote - despite commanding only a narrow 21 vote overall majority - came after careful consultation between Mr Hurd and Mr John Major, the prime minister. In a BBC radio interview, the foreign secretary called on Conservative MPs to take note that "we are not going to join a treaty which imposes the social chapter."

Downing street insisted that the prime minister was confident the party would support the government in the Commons' vote, expected in about six weeks time. But a senior official stressed that there was no possibility of Britain returning to treaty negotiations with its European Community partners if the amendment was passed.

"The politics of this is that once you open up this can of worms everything comes out. We can only ratify the treaty that we negotiated. If it is not ratified by all 12, the treaty does not come into being," he said.

In fact, a defeat for the government on Labour's amendment would not necessarily halt the ratification process.

Continued on Page 12

CONTENTS

Two opposition parties unveil manifesto for March elections

French right plans state sell-offs

By William Dawkins in Paris

TAX reforms and state spending cuts, and an estimated FFr50bn (£6.25bn) worth of privatisations over three years are promised in an election manifesto presented jointly yesterday by France's two centre-right opposition parties.

Greeted as "empty, vague and worrying" by the ruling Socialists, the programme is less sweeping than that of the previous right-wing government in 1986-1988 and reflects the opposition's limited room for manoeuvre at a time of slow growth and monetary instability. "Clarity, change and prudence," were the key words, said Mr François Bayrou, UDF secretary general.

The opposition alliance, fighting as UPF or Union for France, is set to win the elections, on March 21 and 28, by a record margin, with around two-thirds of the seats in the national assembly, according to recent polls. Yet the manifesto does little to reconcile splits between the pro-European UDF and the Gaullist RPR, half of whose national assembly deputies voted against the Maastricht treaty on European monetary and political union last year.

On monetary policy, the future French government says it will present plans in the spring to make the Bank of France independent and do all that is needed to support the franc. It proposes a joint Franco-German monetary initiative "so as not to lose the achievements of 13 years' co-operation in the EMS". This is likely to antagonise the anti-Maastricht faction in the RPR.

On privatisation, the UPF plans to sell all state-owned banks, insurers and industrial companies operating in competitive markets. An independent agency will set share prices and select stable shareholders for the privatisation candidates. A significant amount of shares will be reserved for private investors.

State monopolies, like telecommunications, electricity and gas, and transport, will be opened to competition and their equity capital will be gradually opened to outside investors. The privatisation programme is far less ambitious than that of the last right-wing government, estimated by Mr Edouard Balladur, finance minister of the time, at FFr140bn; a reflection of the fact that today's stock market conditions are poorer.

On the domestic economy, the manifesto promises a job creation drive, through a "pact for jobs" between companies and regions to boost training and recruitment, to be rewarded by lower social security and other charges. In addition, tax breaks are on offer for small businesses. Taxes overall must come down, especially for the middle classes, one-man businesses and to help research and training, it says.

It promises tax and other incentives – including a large public works programme – for construction and housing.

On the government's finances, the UPF plans to reduce the budget deficit - officially estimated at FFr184bn last year - by FFr110bn over the next three years, according to Mr Alain Juppé, the RPR's secretary general. Of this, FFr30bn to FFr40bn would come from spending cuts, FFr15bn from the impact of growth on tax revenue, and the rest from privatisations.

Ex-premier Barre: 'I am not among those who see plots everywhere.'

Barre sounds the alarm over Anglo-Saxon ambush of franc

By William Dawkins

THE CURRENCY markets will launch a heavy but unsuccessful attack against the franc next month, during the French parliamentary election, according to Mr Raymond Barre, former prime minister of France.

Mr Barre, a leading proponent of the hard franc policy and a senior ally of the UDF centre-right party, said the attack will be inspired by Anglo-Saxon financial institutions unwilling to see the creation of a European currency which could rival the dollar. He does not suspect any government influence, he emphasised. The attack will be beaten off by joint intervention by the Banque de France and the Bundesbank.

"I am not among those who see plots everywhere. It's not at all my temperament. But I really think there is a will in a certain number of economic and financial circles not to promote – in fact to do everything to prevent – the creation of European monetary and economic union, and in consequence to blow up the EMS," said Mr Barre.

He would not be drawn further, beyond saying that he knew of a research study by (unidentified) financial institutions analysing the risks posed by a single European currency for their own businesses. "It's my absolute and objective conviction. I expect, as a result, that there will be a strong assault on the franc before the elections, or in the period of the elections or just after the elections," he said.

The vote, on March 21 and 28, is likely to produce a record parliamentary majority for the opposition centre-right alliance of the RPR, which is divided over the Maastricht treaty on political and monetary union, and the pro-European UDF. "When these foreign circles see that a strong part of RPR is hostile to the Maastricht treaty and to French monetary policy, they ask themselves if a government of the new majority tomorrow would be unified enough to hold the political line."

The right-wing leaders are so firmly in favour of holding to the *franc fort* policy that the new government would find it very difficult to let the franc float or to go for devaluation, he argued. "Absolute determination" will be required of the new French administration.

If monetary union succeeds in some form, as Mr Barre believes it will, he argues that the new European currency will have the status of a widely used commercial, financial and reserve currency, similar to sterling at the end of the 19th century. "The day you have a European currency which is used in the trade exchanges of the first commercial power in the world, the European Community, the day when it's possible for Community banks to use the Ecu, and when their reserves will be held in the Ecu, we will have the real alternative to the dollar. Money is power – that's what it's about," said Mr Barre.

He believes that the future currency, possible towards the end of the decade, will initially include seven (France, Germany, the three Benelux countries, Spain and Italy) or eight members.

The Bundesbank will again support the French currency in the speculative attack likely next month, partly because "it won't want to take the risk of letting the EMS collapse. The Bundesbank cannot take this responsibility." But, just as important, said Mr Barre, is that "the Bundesbank considers that the fundamentals of the French economy are satisfactory. I am convinced that, if the fundamentals had been negative, the Bundesbank would never have supported them, even in taking into consideration the political factors."

Stronger Franco-German links urged

By David Buchan in Paris

FRANCE could consider narrowing the franc's present margin of fluctuation against the D-Mark but only if it got some right to "co-manage" such a "D-Mark zone", a French opposition leader said yesterday.

Addressing a conference on "Europe: the Way Ahead", sponsored by the Financial Times and Les Echos, Mr Edmond Alphandéry said the joint programme of the UDF-RPR opposition parties, which are ahead in the polls for the March election, was designed to reinforce Europe's integration and its monetary system.

"This will necessitate without doubt a new Franco-German dialogue in the monetary domain," said Mr Alphandéry, a UDF deputy who is tipped as a possible finance minister if the opposition wins in March.

Mr Alphandéry stressed there was no chance of any new centre-right government devaluing the franc. It would, instead, seek to take monetary policy out of the political arena by speedily introducing legislation to make the Bank of France independent.

But the inherent "instability" of the EMS, conceded by Mr Alphandéry, led Mr Peter Sutherland, chairman of the conference and of Allied Irish Banks, to urge an immediate move to monetary union by a smaller number of EC countries rather than waiting for 1997, the earliest date foreseen in the Maastricht treaty. France, Germany, the Benelux countries, Denmark and Ireland, Mr Sutherland said, "could be ready to go ahead now. So why are we waiting? There is nothing to suggest that conditions in 1997 will be any better than they are now."

Caution about rapid moves to economic and monetary union (Emu) came from Mr Daniel Band, chief executive of Barclays de Zoete Wedd Holdings. The lesson of turbulence on the foreign exchanges was, he said, that "economic convergence has to precede exchange rate convergence".

He objected that the pursuit of Emu had made the EMS too brittle.

Mr Jean-Pascal Beaufret, deputy director of the French Treasury, said that, with Emu, capital markets would converge in the Community. But he suggested this would stop short of the concentration that had taken place in the US, with New York becoming the only major financial marketplace. He said equity markets would remain largely national and he vaunted the merits of Paris.

Mr Gilles Menage, president of Electricité de France, said there was effectively a single EC market in electricity already, with his own state-owned utility exporting 13 per cent of its output. He called for Brussels to take a "less dogmatic" approach in introducing greater competition.

Metal union threatens strike

By Judy Dempsey in Berlin

IG Metall, Germany's engineering trade union, yesterday said it would use the strike weapon "as the last resort" if employers refuse a wage increase of over 10 per cent this year for its members in east Germany.

The warning follows the start of arbitration talks in Saxony last week. Further talks take place in the other east German states over the next few weeks.

Previous talks broke down after the employers' union said it would not accept rapid pay increases which would bring east German wages up to 82 per cent of west German levels from the 70 per cent level at present.

Yesterday, Mr Klaus Zwickel, vice chairman of IG Metall, said the employers' union was "reneging" on its commitment to income parity between west and east German states by 1994. "The employers are provoking us. We signed a contract in 1991. And we will stick to it. It is only fair, particularly since east German workers have to pay west German prices, and have seen housing and other subsidies sharply reduced."

Mr Zwickel rejected criticism that his union was pricing east German workers out of the market – despite the fact that unit labour costs are about 150 per cent higher and productivity is lower than 70 per cent of west German levels.

But IG Metall union officials conceded that it might not have full backing for any strike call because rising unemployment is eroding the union's active membership.

Most engineering workers, some 750,000 in the east German states, are members of IG Metall. But since unification the number east German engineering workers who have actually got a job has shrunk to 300,000. Also, 50 per cent of these are under the supervision of the Treuhand, the east German privatisation agency. Further privatisations could reduce the clout of I G Metall.

"We do not want to be pushed into a strike," said Mr Zwickel. "But we will not let our employees be pushed around."

However, several factory managers in west Germany yesterday believed that the employers' union would find a way out of the contract by invoking "revision clauses". This means that employers can argue that if the developments in the new east German states deviated from their original plans, the parties have the right to reconsider the clauses of the original contract.

Rexrodt: bad outlook for west, a few hopeful signs in the east

Bonn gloomier on outlook for west Germany

By Quentin Peel in Bonn

THE German government yesterday produced its gloomiest annual economic report in a decade, forecasting a decline in gross domestic product of up to 1 per cent. It was promptly attacked by the opposition for excessive optimism.

Mr Günter Rexrodt, the newly appointed economics minister, said all the economic indicators for west Germany were negative at the turn of the year, including industrial orders, production levels, investment activity, capacity utilisation and, above all, unemployment.

In the east, however, there were a few hopeful signs, especially in construction activity and the service sector, although the economic recovery was still decidedly hesitant, he said.

The other element of extremely cautious optimism to emerge from the report, presented to both cabinet and parliament yesterday, was the forecast that wages will grow by less than the rate of inflation in the coming year. Gross wages would rise between 2.5 and 3 per cent, compared with price rises of around 3.5 per cent, it suggests.

Mr Rexrodt said the priority for the German government must be to avoid slipping into an all-out recession, although Mr Otto Lambsdorff, his own party leader in the Free Democrats (FDP), says the economy is already in its sharpest post-war recession.

Mr Rexrodt stressed the importance of the solidarity pact under discussion between the central government, the 16 Länder, and the opposition Social Democrats, as well as employers and trade unions.

He said he had been instructed to produce a report on how to improve the attractiveness of Germany as an investment location, reducing the high cost structure and increasing labour mobility, by September.

The key figures in the government's forecast for the year are a decline in GDP of between zero and one per cent for west Germany, an expansion of 5 to 7 per cent in the east, with an all-German forecast of zero growth.

Average unemployment in the west is predicted to rise by some 450,000 to 2.25m, or a rate of 7.5 per cent, and to increase only marginally in the east to around 1.2m, a rate of 15 to 16 per cent: the national average unemployment would be 9 per cent, the report says.

It forecasts a growth in exports of 1.5 to 2.5 per cent in the west (8 to 10 per cent in the east, where exports to eastern Europe have collapsed), based on the assumption of a steady revival in world trade, especially in the US economy.

It is based on important assumptions: of a successful conclusion to the Gatt round of trade liberalisation talks; gradual relaxation of international interest rates; a slight depreciation in the value of the D-Mark; substantial efforts to restrict public spending; and wage moderation, including a slowdown in the rate of equalising eastern with western wages. It particularly criticises the "blatant disproportion" between unit wage costs in east and west Germany, with the former now 60 per cent higher than the west, in spite of the collapse of the eastern economy.

Mr Wolfgang Roth, SPD economics spokesman, said there was no clear indication where the 5 to 7 per cent growth rate in east Germany would come from, given the collapse of east German industry. As for a zero overall national growth rate, that would require immediate reversal of the steady contraction.

He sharply criticised the Bundesbank for its failure to cut its lead interest rates more aggressively. He said last week's cuts – half a percentage point of the Lombard rate, from 9.5 to 9 per cent, and a quarter point off the discount rate, to 8 per cent – were a "mincing step" which was "pure poison for the economy".

Mr Rexrodt, however, insisted that only if the central government and the Länder could restrain spending, and the trade unions showed wage restraint, would the central bank have further room for interest rate reductions.

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Georgian leader optimistic of chances of settlement in Armenia-Azerbaijan conflict

Shevardnadze hope of Karabakh peace

By John Lloyd and Steve LeVine in Tbilisi

MR Eduard Shevardnadze, the president of Georgia, said yesterday there "were grounds for optimism" for peace between Armenia and Azerbaijan, which have been fighting for five years over the disputed enclave of Nagorno-Karabakh.

The former Soviet foreign minister also warned that the forces of democracy in Russia were "more troubled than ever" warnedthat their defeat would be "a disastrous event for the world."

Mr Shevardnadze said that in recent meetings with Mr Levan Ter-Petrossyan, the Armenian president, and Mr Abulfaz Elchibey, the Azerbaijani president, he had found there was the political will to attempt a negotiated settlement.

"I think that we have come to the point when all our people are tired of this conflict. We (three Caucasian presidents) are all of the same mind," he said.

Mr Shevardnadze said concessions from both sides had been discussed – and that both sides would "bring these ideas out in negotiations."

Mr Elchibey said at the weekend that "in one or two months, the psychology of peace will show its head" and that the three presidents, together with Mr Boris Yeltsin, the Russian president, "have common thoughts, common ideas among ourselves". He warned, however, that reactionary forces in Russia and in the Caucasian states were blocking peace initiatives.

The Nagorno-Karabakh conflict has claimed nearly 3,000 lives and was further escalated when Armenian and Karabakh forces established a land bridge through Azerbaijani territory last summer. Over the past few days, Armenian forces have taken Azerbaijani villages to the north of Karabakh, following earlier setbacks.

Mr Shevardnadze hopes to convene a meeting of the Caucasian presidents, probably in Tbilisi, to seek a basis for negotiation. He calls his project an attempt to create "a peaceful sky over the Caucasus". He also hopes to involve the north Caucasian republics in Russia.

The Georgian leader also expressed hope that agreements, due to be signed between Georgia and Russia over the next two weeks, would produce a better climate for a settlement of the conflict in the Georgian province of Abkhazia where separatist forces are fighting Georgian troops. He said Russia could play a "positive role in settling the conflict" – though he accused units of the Russian military and mercenaries from the Russian north Caucasus of supporting the Abkhazians.

He said that he thought it was a "possibility" that United Nations troops would be involved in Abkhazia.

The Georgian economy is suffering from acute energy and other shortages. Mr Shevardnadze said that former Georgian leader Zviad Gamsakhurdia had made a "tragic mistake" breaking trade and other links with Russia.

Shevardnadze: political will for negotiations

Bosnia lays down terms for talks

By Robert Mauthner in New York

THE BOSNIAN Moslem foreign minister, Mr Haris Silajdzic, yesterday said his government could not continue to negotiate a peace settlement for Bosnia-Hercegovina "with a gun at our head".

Speaking at the United Nations shortly before the US was due to announce its own peace proposals, Mr Silajdzic said he believed Washington's involvement would secure an international settlement based on democratic principles.

He made clear that the Bosnian government would rejoin the negotiations, which it has virtually boycotted since they were moved from Geneva to New York at the beginning of last week, only if certain conditions were fulfilled. These were that the "genocide" of the Bosnian Moslem population be halted and that the heavy weapons of all sides in the conflict be placed under effective international control.

"If any side does not comply with the placing of heavy weapons under the physical control of the UN, then force should be used."

A particular effort had to be made to help the Moslem population of eastern Bosnia, which was currently the victim of intensive "ethnic cleansing" policies undertaken by Bosnian Serb militia and had become "the most endangered species in the world". Aid convoys have been unable to reach this region.

Mr Silajdzic said it was astonishing that the Bosnian government was being blamed by international negotiators for blocking a peace agreement, when UN security council resolutions on the supervision of heavy weapons and the delivery of humanitarian aid were not being implemented.

If the latest security council resolution on the delivery of humanitarian aid remains unenforced, then other "more creative options" should be exercised in getting aid to the needy, he said. The security council could authorise air drops of food, as well as opening Tuzla airport for incoming aid.

Reuter adds from Geneva: UN special investigator Tadeusz Mazowiecki yesterday said he was prepared to resign if concrete measures were not taken to prevent human rights abuses in former Yugoslavia,

Challenge over EC passport checks

By Andrew Hill in Brussels

THE EUROPEAN Commission has been formally challenged to act on a specific complaint about continued passport controls in the EC's barrier-free internal market.

Euro Citizen Action Service (Ecas), a lobby group, has asked the Commission to act urgently against the Dutch authorities for refusing to let a Dutch citizen board a ferry from Vlissingen to Sheerness in the UK without a passport.

Ecas opened a telephone line in the first weeks of 1993 to gather comments about internal border controls, which it believes should have been lifted on January 1. It hopes to use the complaint of Mr Abraham Mooy, a Dutchman living in Belgium, as a test case against countries which have refused to lift such controls.

For now, all 12 member states have continued passport checks on intra-EC travellers arriving at airports. Nine continental member states are trying to lift controls by year-end, but Britain, Denmark and Ireland are likely to maintain checks beyond then.

Mr Mooy's complaint is against Dutch immigration authorities and officials of the shipping line, which refused to let him board the ferry on January 15. He had forgotten his passport and showed officials his Belgian identity card.

The case could embarrass the new internal market commissioner, Mr Raniero Vanni d'Archirafi, who has said he does not want to provoke a confrontation with member states over passport checks.

German union leaders call protests over steel job cuts

Quentin Peel in Bonn reports on the growing political row over proposals for restructuring the German steel industry with its potential threat to some 25,000 jobs

TRADE union leaders in Germany called yesterday for mass protests by steel workers, after reports that the newly-merged Krupp and Hoesch steel companies plan to close down an entire plant in either Dortmund or Duisburg.

Union officials said that Mr Hans Wilhelm Grasshoff, chief executive of Hoesch Stahl, told a meeting of union members at the Westfalenhütte plant that company plans to cut monthly production capacity from 700,000 to 550,000 tonnes meant that an entire steel plant would have to close.

There was no formal confirmation from Hoesch Stahl last night, where a board meeting was still in progress late into the evening.

The plan would be much more drastic than last week's joint announcement by Krupp Stahl and Hoesch Stahl that one blast furnace would be closed down temporarily because of the downturn in the steel market.

That proposal is for the furnace to shut down for five months. The shut-down, beginning on March 1, will put 600 steel workers on short-time working.

The growing backlash from the unions over a potential threat to as many as 25,000 steel jobs follows a call from the opposition Social Democrats (SPD) in the German parliament for an emergency national congress of steelmakers, unions, central and state governments, to draft a plan of action to tackle the growing crisis.

However, the steel industry in Germany has broadly welcomed the plan proposed by the European Commission for an EC-wide response, including capacity cuts in exchange for new state aid.

Mr Ruprecht Vondran, head of the German steel industry association, told an emergency debate in the Bundestag yesterday that the proposals were close to those put forward by the industry and the German parliament.

It was critical to see the final form which would emerge from negotiations between the 12 member states.

He said the aim should be not merely to stop the slump in profits of European steelmakers, but simultaneously to ensure a fair market for steel products in the EC.

If the industry was expected to find a common way out of the crisis, then all must operate on a clear legal basis, he added.

Subsidies to the industry had created a backlog of restructuring which would be painful and costly to overcome.

The entire burden could not be put on the public purse, and the steelmakers would have to pay for their own restructuring to a large extent, he said.

If one enterprise was expected to help its competitors to close down surplus capacity, finance social programmes for redundant workers, or even create alternative employment, it must be certain of being able to use higher capacity itself in return, Mr Vondran said.

The industry must be protected from market dumping by competitors in eastern Europe, and from producers who have been forced out of the US market by the protectionist measures introduced by Washington.

"Who is going to pay a competitor compensation to the tune of millions, if a third producer, free of all such burdens, is able to skim off all the advantages of a cutback in supply?" he demanded.

"This is what will decide whether Brussels, or indeed the German government, is really serious about restructuring the steel industry," the German steel chief said.

Brussels defends motorcycle plans

PLANS to limit the power of motorcycles and prevent tampering with moped engines are meant to make EC roads safer, the European Commission said yesterday. Reuter reports from Brussels.

Critics say the EC's executive is meddling in matters the prerogative of manufacturers, but Commission officials said they had backing from governments and manufacturers. The proposal to ban motorcycles over 100 brake horsepower would affect only a small number of machines, they added.

It would bring the EC in line with Japan, which has had a 100 brake hp limit for 15 years and makes more powerful models only for export, a Commission official said.

The proposal has been in trouble getting through the European parliament because some MEPs have taken the part of motorcycle users, arguing that factors other than horsepower cause road accidents. The parliament was to vote on the legislation late yesterday.

The other proposal, still being drafted, would set technical specifications for mopeds, aimed to prevent users tampering with engines to make them more powerful.

The two proposals are among 24 draft laws to set up a single set of technical specifications for two- and three-wheeled vehicles marketed in the EC.

Japan baffled as US reassesses relationship

By Jurek Martin in Washington and Charles Leadbeater in Tokyo

SUCCESSIVE Japanese governments have operated in the sure knowledge that the connection to Washington was "the most important bilateral US relationship in the world". Every US president for the last 30 years has said it, and so, as both candidate and president-elect, has Mr Bill Clinton.

But two senior Japanese cabinet members, Mr Michio Watanabe, foreign minister, and Mr Yoshiro Hayashi, finance minister, are coming to Washington this week apparently unsure this is still the case.

The Japanese worries have been well advertised. Uncertainty exists over whether the Clinton administration is free-trade or protectionist and, if the latter, the extent to which Japan, with its $50bn (£33.1bn) bilateral trade surplus, will become a target.

Every pronouncement by every newly installed US official is scrutinised with minute care by the Japanese.

Beyond commerce, there is also concern about the general US commitment to Asia and particular worries about the new US approach to China. Mr Winston Lord, state department under-secretary with regional responsibilities, is a former ambassador to Beijing and a conspicuous recent critic of Chinese external and human rights policies.

Yet Tokyo's concerns, which extend beyond concrete policies, are not exactly mirrored in Washington. This may well be the essence of the current problem.

Japanese foreign policy tends to be rooted in certain anchors, such as the relationship with the US. For 10 years, from 1977 to 1987, the ultimate assurance of continuity was provided by the comforting presence in the Japanese capital of Ambassador Mike Mansfield, whose understanding of Japan was exceptional and whose political power in Washington (he was a long-standing senator) effectively kept the lid on successive administrations' intermittent inclinations to take a tougher line with Japan.

Mr Michael Armacost, his successor, displayed some of the same skills, but with nothing like the political authority. Now Japan wonders who will be the next "minder" of the relationship in Washington and in Tokyo.

Mr Lord is a China hand and is surrounding himself mostly with like-minded people, with Mr Thomas Hubbard, a Japan expert and most recently deputy ambassador in Manila, back on board running the Japan desk.

But no sign exists of a decision on the successor to Mr Armacost. Japanese nerves were jangled during the transition by rumours that the post might be offered to Mr Chalmers Johnson, the distinguished Japanologist from the University of California, best known as the "godfather" of the revisionist school of thinking towards Japan.

In a recent New York Times article, Mr Johnson wrote that the US should recognise its "failure" to open Japanese markets and "start over". A new approach was "justified on grounds that Japan, as it admits, is not the kind of capitalist economy envisioned by the Gatt negotiators." That is the sort of language that scares Japan to the core.

Mr Johnson probably will not get the job, but the absence of a clear candidate concerns the Japanese, due to their addiction to form over substance in foreign policy.

Thus, it matters to Tokyo that no meeting has yet been arranged between Mr Clinton and Mr Kiichi Miyazawa, Japanese prime minister, whereas Presidents Reagan and Bush both met Mr Miyazawa's predecessors immediately on assuming office. Not all the blame for this omission is laid at the US door. The truth is that Washington has not yet got round to thinking much about Japan.

But two developments this week, the US commitment to seek an extension of the fast-track negotiating authority on trade and Detroit's decision not to go ahead with anti-dumping suits against foreign car makers, offer some generalised reassurance.

Equally, the weekend session between Mr Hayashi and Mr Lloyd Bentsen, treasury secretary, (the first he has held with a foreign finance minister) seems to indicate the US appreciates Japan's place as an important player in the Group of Seven.

Mr Bentsen has talked of the need to revitalise the G7 before the annual summit in Tokyo in July, with a finance ministerial meeting planned for March as the next step in the process.

But trade and China top Mr Watanabe's agenda. He will propose replacing the long-running Strategic Impediments Initiative with new institutions to discuss trade and medium-term macro-economic issues, such as the US federal deficit, rather than details about the imbalance in particular industries.

Just as Washington's internal politics and personalities are receiving minute attention in Tokyo, much inevitable emphasis is being placed there on the views of Mr Mickey Kantor, trade representative. One official said he could be bad news if led by protectionist sentiment, but he might be good news, if the president were really in charge of trade policy. "Trade relations could get a lot worse or a lot better. We just don't know yet."

What to the US is a natural reassessment of the relationship appears to Japan as confusion.

THE Japanese car industry and authorities yesterday welcomed the decision by the US big three car-makers not to file a dumping suit against Japanese manufacturers, but expressed continuing concern over protectionist tendencies in the US, Michiyo Nakamoto writes from Tokyo.

The ministry of international trade and industry said the decision reflected a sensible judgment. Mr Yutaka Kume, chairman of the Japan automobile manufacturers' association, said it was the "right decision". He reiterated the industry's belief it had not been dumping in the US market.

Golden screen haunts LDP

By Robert Thomson in Tokyo

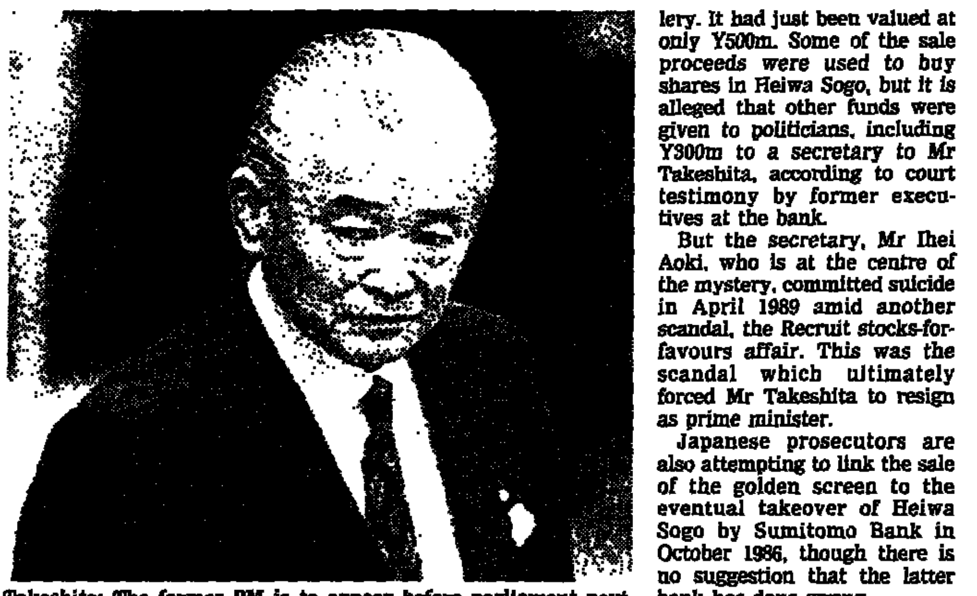
THE MYSTERY of the golden screen is haunting Japan's ruling Liberal Democratic Party.

This unsolved case of alleged corruption – involving banks, senior politicians and an exquisite Y4bn (£23m) traditional folding screen – has resurfaced this week, at a particularly bad time for Mr Noboru Takeshita, the former prime minister.

He is to appear before parliament next week – with Mr Ichiro Ozawa, a former LDP secretary-general – to answer questions over a separate scandal involving illegal donations by a road haulage company, Tokyo Sagawa Kyubin.

Opposition parties delayed the passage of the budget for the fiscal year to begin in April, so as to force the LDP to offer the two politicians for formal questioning. This will be the third such appearance in recent months by Mr Takeshita.

Simultaneously, a former auditor at Heiwa Sogo, the small bank at the centre of the screen mystery, is on trial for commercial breach of trust, and is expected to explain at least part of the background to the mystery in coming days. His testimony could provide opposition politicians with a further opportunity to undermine Mr Takeshita, who has resisted demands that he resign from parliament.



Takeshita: The former PM is to appear before parliament next week, with Mr Ichiro Ozawa, a former LDP secretary-general, to answer questions on a scandal involving illegal donations

The gold-leaf screen mystery began in 1985, when there was a struggle for the control of the ailing Heiwa Sogo, and four of its executives sold the screen for Y4bn to a Toyko art gallery. It had just been valued at only Y500m. Some of the sale proceeds were used to buy shares in Heiwa Sogo, but it is alleged that other funds were given to politicians, including Y300m to a secretary to Mr Takeshita, according to court testimony by former executives at the bank.

But the secretary, Mr Ihei Aoki, who is at the centre of the mystery, committed suicide in April 1989 amid another scandal, the Recruit stocks-for-favours affair. This was the scandal which ultimately forced Mr Takeshita to resign as prime minister.

Japanese prosecutors are also attempting to link the sale of the golden screen to the eventual takeover of Heiwa Sogo by Sumitomo Bank in October 1986, though there is no suggestion that the latter bank has done wrong.

Mr Takeshita, who knew executives at both banks, is believed to have played a role in bringing them together, and opposition politicians want to him to clarify whether he saw Y300m.

Late last year, Mr Takeshita said the affair was also a mystery to him.

Move to make Japanese groups more transparent

By Robert Thomson in Tokyo

A GOVERNMENT advisory panel has recommended that companies be required to appoint independent auditors, in an attempt to make corporate Japan more transparent and less prone to scandal.

The Justice Ministry is likely to draft legislation to amend the commercial code based on the panel's recommendations, but the changes will be opposed by many companies, as auditing has traditionally been an in-house operation in Japan.

A spate of securities industry scandals and demands for increased shareholder rights prompted the panel's review, which included a study of whether companies should be able to buy their own shares. No formal recommendation was made on this controversial issue.

But the panel did recommend that shareholders should have improved access to company accounts.

Under present legislation, shareholders must have at least a 10 per cent stake in the company before getting access to the account books, but the minimum shareholding needed is likely to be reduced to 3 per cent.

That change, and a simpler court filing process for class actions, are in line with US demands for an improvement in shareholder rights in Japan.

The demand was made during the bilateral Structural Impediments Initiative (SII) talks, designed to reduce the "structural" obstacles to trade.

The panel also recommended that restrictions on corporate bond issues be eased, in particular a requirement that companies must issue bonds to a total less than twice the net value of its assets.

Corporate bonds are becoming increasingly popular among Japanese companies, but there are still strict limits on bond trading and issuance.

These and other recommendations, approved yesterday by a sub-committee in the justice ministry, are scheduled to be formally presented to the justice minister later this month, and then to a cabinet meeting next month.

If the panel's proposals are adopted, an auditor's term will be extended from two to three years, while companies capitalised at Y500m (£2.6m) or more, or with debts of Y20bn or more, must appoint three auditors, one more than is now required.

But most controversial is the requirement that one of three auditors should be independent. Japanese companies have traditionally appointed auditors from among middle-managers passed over for promotion to the senior ranks or from among executives due to retire but wanting to maintain a presence within the company.

Auditors still generally regard themselves as part of the company and it is highly unusual for them to find fault with financial statements.

By the panel's standards, an independent auditor is an individual who has not worked for the company, or any of its subsidiaries, during the past five years.

Israelis kill two in Gaza clashes

ISRAELI soldiers yesterday shot dead two Palestinians and wounded at least four others, one of them an 11-year-old boy, during clashes in the occupied Gaza Strip, Reuter reports from Jerusalem.

The army confirmed soldiers had killed two Palestinians but gave no details on the wounded.

Palestinians in the Gaza Strip said soldiers manning an army post in Jabalya refugee camp shot and wounded several people when a crowd of youths stoned them.

In the business district of Arab East Jerusalem, border police fired live rounds into the air and shot tear gas and rubber bullets at demonstrators who threw stones and burned tyres, police said.

Four cars were damaged but no one was wounded in the East Jerusalem clash, which began when police arrested two youths after an Israeli bus was stoned. A third Palestinian was arrested during the unrest.

Iraq rejects deal over jailed Britons

Iraq yesterday turned down an appeal to release two Britons serving long jail terms for illegally entering the country, the head of the British Red Cross said, Reuter reports from Baghdad.

Mr Michael Whitlam, director general of the British Red Cross, said he had offered Iraq's deputy prime minister, Mr Tariq Aziz, further humanitarian assistance to the Iraqi people if Mr Michael Wainwright and Mr Paul Ride were set free. Mr Wainwright, 42, was sentenced to 10 years after cycling into Iraq from Turkey last May. Mr Ride, 33, was jailed last August for seven years for straying across the border from Kuwait.

Rwanda rebels make offer of a ceasefire

Rwandan rebels yesterday said they were ready to end three days of fighting with government forces but would not withdraw from territory they had captured, Reuter reports from Kigali.

The fighting raged on in northern districts as the rebel Rwanda Patriotic Front's clandestine radio station broadcast the announcement.

Refugees continued to trek into Kigali. Food was growing scarce in the city and prices have shot up amid panic buying. The fighting was the worst flare-up since a ceasefire was agreed last August.

India's exports fall by 12.5%

By Stefan Wagstyl in New Delhi

INDIA'S exports in December fell 12.5 per cent to $1.48bn (£980m), against the equivalent month in 1991, due to weak demand in the former Soviet Union, the disruptive impact of a prolonged domestic airline strike and unrest following destruction of the Ayodhya mosque.

The figures, released yesterday, confirm the damage done to foreign trade by disruption to travel caused by the strike, and through the violence in Indian cities after the mosque was sacked on December 6.

The fall in exports will hit hopes of achieving a target of 10 per cent export growth in the year to the end of March 1993. A boost to exports is a key element in India's economic reform programme. It needs them to pay for imports of oil and capital equipment.

Imports in December grew 2.6 per cent to $1.94bn, making for a monthly trade deficit of $460m. For the nine months to end-December, the deficit was $3.55bn, more than double the $1.63bn in the equivalent period of 1991.

Exports rose 3.4 per cent, with those to countries outside the former Soviet bloc up 11.4 per cent. Imports for the nine months rose 16.5 per cent.

Native-born PM ends reign of Chiang Kai-shek's old comrades

Taiwan breaks with the political past

By Simon Davies

PRESIDENT Lee Teng-hui has taken a big step towards purging Taiwan of its political domination by the ageing supporters of Chiang Kai-shek, its founder, by appointing the first native Taiwanese, Mr Lien Chan, to be prime minister.

Taiwan has been shaken by political instability in recent months, as former Nationalist soldiers have fought to retain a vestige of control within the ruling Kuomintang (KMT) party against President Lee's reformist Mainstream faction. The old guard has finally lost.

The stock market surged initially on the long-expected news, seen as providing a seal of approval for President Lee's pro-business policies. But a late sell-off by profit-takers led yesterday's Taipei index to close 59 points lower at 3,578.

Mr Lien, 56, former governor of Taiwan Province, is from one of Taiwan's wealthiest families.

Deemed an uncharismatic man, he is expected to act as an executive lieutenant to Mr Lee, without providing any political challenge. With Mr Lien's appointment, President Lee is finally in a position to push forward a democratic reform programme with a minimum of opposition from within his own party.

His success has surprised many analysts, following his poor performance in December's parliamentary elections when the KMT received its lowest-ever vote of 53 per cent.

Mitterrand urges end to Hanoi embargo

FRENCH President François Mitterrand, the first western head of state to visit Vietnam, yesterday urged President Bill Clinton to lift the US embargo imposed on Hanoi in 1964, Reuter reports from Hanoi.

After a two-day visit to Hanoi, Mr Mitterrand described the embargo as "an anachronism". Washington extended the embargo to all of Vietnam in 1975, when Hanoi's communists defeated the US-backed Saigon government and reunified the country.

Mr Mitterrand announced on Tuesday that France would double its 1992 aid to Vietnam this year. France gave Vietnam $36m (£23.8m) in 1992. Yesterday, he said seven top-level co-operation agreements had been signed between the two countries.

Vietnam, hit three years ago by the suspension of Soviet aid and now starved for capital, had approached France "with outstretched hands", Mr Mitterrand said.

He said it was appropriate for France, given its past ties with Vietnam, to be the first western country to help it reintegrate into the world community.

Mr Mitterrand yesterday visited Dien Bien Phu, where forces led by Gen Vo Nguyen Giap defeated a key French army unit in 1954, thus bringing an end to colonial rule.

● Reuter adds: Alcatel of France yesterday signed an agreement with the Vietnamese Post and Telecommunications Authority to create a digital switching joint venture called Alcatel Network Systems Vietnam.

UN soldiers fail to pacify the killing fields

The Cambodian peace keepers were welcomed with relief a year ago but their popularity is waning, writes **Victor Mallet**

THEY came at midnight, a dozen men firing automatic weapons and grenades at a crowd of villagers who were dancing and watching videos outside a Buddhist temple.

The party a few nights ago in the village of Sret, 12 miles east of Siem Reap and the ancient Khmer monuments of Angkor, was an annual festival in memory of a former abbot. Eight people were killed, including a 13-year-old girl.

Nobody is sure who carried out the attack or why, but Khmer Rouge guerrillas are among the suspects; three of the dead were government policemen.

Two days later the village looked sleepy and surprisingly cheerful. Yes, the inhabitants agreed, they were frightened at night now, but they had lived through bad times before.

They had survived the rule of Prince Sihanouk in the 1950s and 1960s, the dictatorship of Lon Nol, who overthrew the prince, the terror of the Khmer Rouge guerrillas who ousted Lon Nol, and the Vietnamese invasion which got rid of the Khmer Rouge. Now they had Untac.

Untac – the UN Transitional Authority in Cambodia – was immensely popular when it was established in March last year because Cambodians thought it would stop the killing. It has failed to do so, and its popularity is waning fast.

Bangladeshi troops are stationed three miles from Sret, but they did nothing because the attack on the village lasted only five or 10 minutes before the gunmen melted into the countryside.

It was not an isolated incident. In the early hours of yesterday morning gunmen, some of them on motorcycles, attacked Siem Reap with guns and grenades, killing at least two Cambodians and firing at Untac's pre-fabricated offices.

Mr Yasushi Akashi, the head of Untac, said he viewed the assault with "the utmost seriousness". Siem Reap is Cambodia's main tourist destination, and President François Mitterrand of France is due to go there this week to see the temples of Angkor.

The failure of the UN's largest peace keeping operation, with its $2bn (£1.3bn) budget and its complement of 22,000 soldiers and civilians, is as damaging for the reputation of the UN as it is for the hopes of the Cambodian people.

Untac has succeeded neither in bringing about the ceasefire agreed by all the factions at the Paris peace conference in 1991, nor in curbing banditry.

Mutilated corpses are still seen floating down the Mekong river, and government troops continue to extort money from passing cars and river boats.

In one particularly humiliating incident on a road north of Phnom Penh last month, unarmed Untac troops from Poland saw soldiers shoot dead the driver of a van that had failed to stop at a casual road-block; then the Poles watched helplessly as the soldiers killed the two passengers in the van in cold blood.

Untac's reputation has been further undermined by traffic accidents involving the UN's big white cars as well as the inevitable problems of whoring and drinking in a country where both are cheap.

There have been successes. Indian army doctors at the Untac field hospital in Siem Reap, for example, have been treating dozens of Cambodians for tuberculosis.

The continuing repatriation of 370,000 refugees from Thailand has been running much more smoothly than expected; and Untac electoral officers have registered 4.7m Cambodians for the general election in May.

But even these successes are now at risk. In its announcement last week of a government offensive against the Khmer Rouge, Untac disclosed that some returned refugees had been conscripted by the government and used as forced labour.

Worst of all, there are doubts about whether Untac can ensure that the elections are "free and fair", as required by the Paris peace accords. Yesterday Mr Akashi acknowledged that he was "still not satisfied that the conditions for free and fair elections can be met".

The troops and guerrillas of the four main factions should by now have been regrouped in cantonment areas and disarmed, but the disarmament process was abandoned when the Khmer Rouge refused to co-operate.

UN military observers say the civil war, now essentially between the Vietnamese-installed government and the Khmer Rouge, has intensified since 1991, and both sides are using their weapons to intimidate voters.

Khmer Rouge guerrillas, as well as refusing Untac officials access to most of their territory in north-western Cambodia, have seized voter registration cards from villagers in contested areas.

Government soldiers are suspected of killing more than 20 people working for the royalist party Funcinpec and have been accused by UN electoral officers of widespread intimidation in the last few weeks.

Untac's response has been extraordinarily phlegmatic in the face of repeated setbacks. Lt-Gen John Sanderson, the Untac military commander, has been nicknamed "No Problem" because of his apparently incurable optimism.

Untac's defence is that it cannot impose peace by force; it is for the Cambodians to fulfil their obligations and for Untac to help them do so.

Certainly Cambodians must accept their share of the blame. Prince Sihanouk, regarded by Cambodians and foreigners alike as the one man who might be able to broker a deal between the various factions, has been spending more time in Beijing than at home.

The Khmer Rouge has flouted the peace agreement and the ceasefire from the start, while on the government side corrupt officials have filled their pockets with ill-gotten gains in the expectation of losing much of their power after the election.

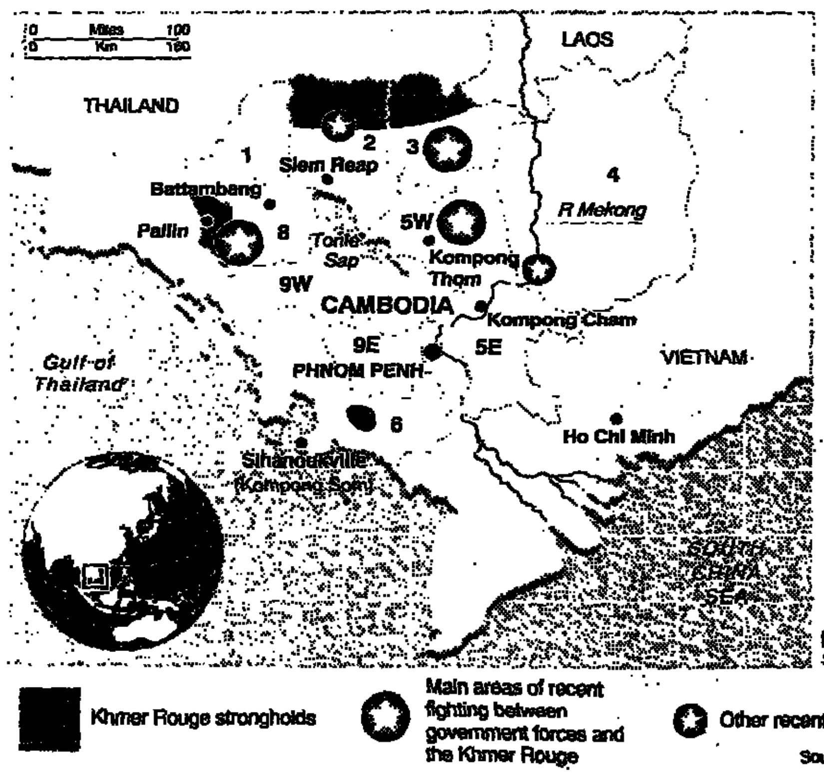
If the elections go ahead as planned in May – and the expectation at the moment is that they will in spite of the fighting – Funcinpec is likely to emerge as the strongest party in the new assembly.

The outcome of the resultant imbalance between political and military power is that Prince Sihanouk, who could become president, and his son Prince Ranariddh, the Funcinpec leader and possible future prime minister, will probably try to construct a coalition to accommodate both the Khmer Rouge and the present regime.

Not everyone believes it will be possible to reconcile the two factions which are even now fighting each other across much of northern and western Cambodia. "I think regardless of what happens during the elections, you're going to have civil war immediately afterwards," says one senior Untac military officer. "I think it's going to be pretty intense, and I think it will reach Phnom Penh." That view is a pessimistic one, but it is not unique.

See Editorial Comment

Cambodia: the peace keepers and the peace breakers



Untac infantry

Military sector	Battalion	Provinces
1	Netherlands	Banteay Manchey
2	Bangladesh	Siem Reap
3	Pakistan	Preah Vihear
4	Uruguay	Stung Treng, Ratanakiri, Kratie, Mondolkiri
5E	India	Kompong Cham, Prey Veng, Syay Rieng
5W	Indonesia	Kompong Thom
6	France	Takeo, Sihanoukville, Koh Kong, Kampot
8	Malaysia	Battambang
9E	Bulgaria	Kandal, Kompong Speu
9W	Tunisia	Kompong Chhnang, Pursat
Phnom Penh special zone	Ghana	Phnom Penh

Source: United Nations Transitional Authority in Cambodia (Untac)

NEWS: AMERICAS

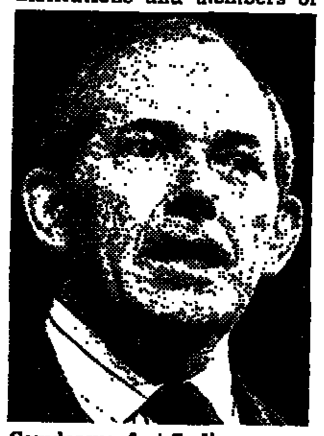
IMF seeks consistent programme before economic targets can be set

Camdessus takes firm line on Brazil

By Christina Lamb in Rio de Janeiro

MR Michel Camdessus, managing director of the International Monetary Fund, has told Brazil it must present an economic programme before full-scale negotiations can begin on a new accord.

The decision was a disappointment, though no great surprise, to Mr Paulo Haddad, economy minister, who has been in Washington this week for his first round of meetings with multilateral financial institutions and members of the US administration.



Camdessus: fact-finding

His main aim was to discuss with the IMF the targets for a new accord in place of a \$2.1bn (£1.4bn) stand-by, signed in January last year, which collapsed after the initial payment because of Brazil's failure to meet conditions.

Mr Rubens Pontes, the minister's chief of staff, said yesterday that the meetings had gone well: "We didn't expect a red carpet, given Brazil's poor record of meeting IMF targets. But, in the circumstances, the reception was almost warm and the fund is definitely disposed to collaborate."

Mr Camdessus accepted Mr Haddad's request to use the last accord as a basis for the new one, rather than negotiate from scratch. However, he insisted that, Brazil must put a consistent economic programme in place before new targets could be set.

Mr Pontes said that the absence of a programme so far was a reflection of the new government's "more realistic stance. We are trying to clean the house and resolve a series of structural problems before formulating a programme."

Consequently the IMF mission due in Brazil on March 1 is likely to remain of a factfinding rather than negotiating nature. Matters may be complicated by President Itamar Franco's decision that future meetings of the IMF and Brazilian government will include representatives of Congress.

Brazil is anxious for a new accord in order to move towards concluding the restructuring of \$44bn in foreign debt, for which must it put up \$3.2bn in collateral, half of which it hopes to obtain from multilateral institutions.

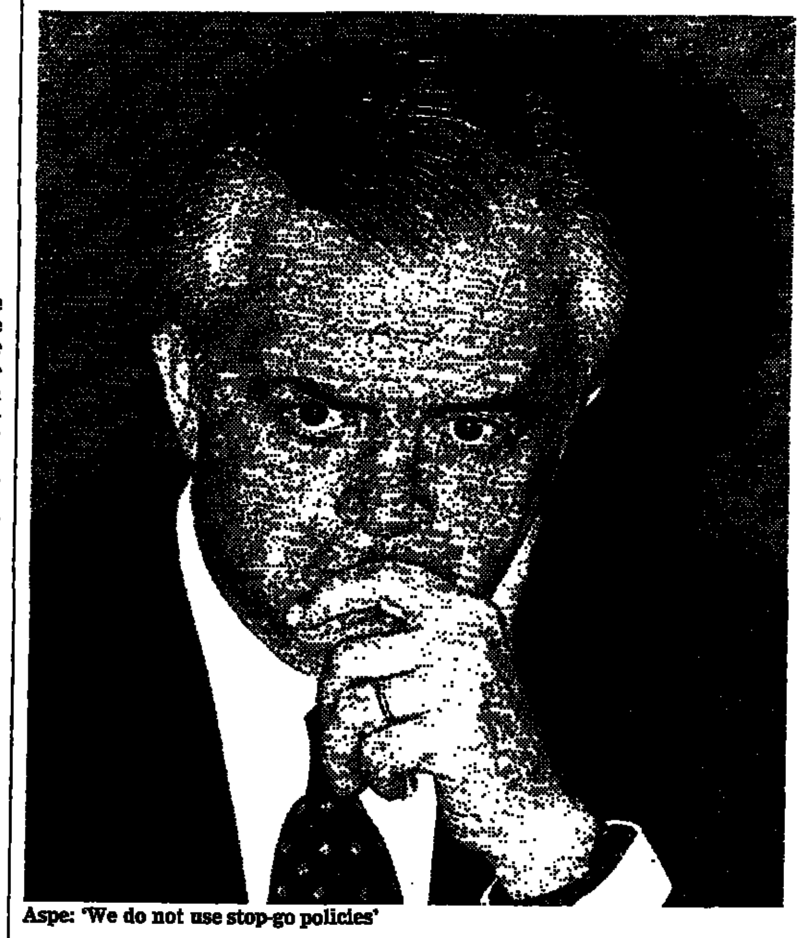
But Brazil's continuing high inflation remain a thorny issue. The Rio-based Getúlio Vargas Foundation index put January inflation at 29.82 per cent. However, economy ministry officials point out that some first-year targets of the last accord were surpassed. Foreign exchange reserves, for example, are at a record \$19bn and the operational deficit for 1992 was less than expected, at 1.9 per cent of GDP.

During his trip to Washington, Mr Haddad also held talks with Mr Lloyd Bentsen, US treasury secretary, but did not seek US support in that meeting.

"With Secretary Bentsen, we only had an exchange of information. There is no [commitment] from the Treasury so far," he said.

Poll 'won't overturn' Mexican austerity

Finance minister assures **Damian Fraser** tight economic policies will stay despite 1994 election



Aspe: 'We do not use stop-go policies'

MEXICO'S government will maintain its tight fiscal and monetary policy throughout next year, and expects little increase in economic growth from this year, according to Pedro Aspe, the finance minister.

The austere economic policy, if adhered to, would disappoint those in and out of Mexico expecting a significant relaxation in the approach to the 1994 presidential election. The government intends to run a budget surplus of 1.7 per cent of gross domestic product this year and, through its commitment to a stable exchange rate, has allowed one-year interest rates to rise to about 19.7 per cent – about ten percentage points more than projected year-on-year inflation.

The tight economic policy slowed growth last year to an estimated 2.8 per cent, far below the government's original aim, and has been widely criticised for being too cautious. The commitment to maintain the tight programme suggests the government has given up its target of reaching 6 per cent growth by the end of the administration of President Carlos Salinas de Gortari.

Mr Aspe said in an interview: "We are going to stick to exactly the same policy and [expect] growth this year of 3 per cent and next year – maybe a little more but nothing spectacular." Fiscal and monetary policy "has been exactly the same in 1989, 90, 91, 92, 93 - and it will be exactly the same in 1994. We do not use stop-go policies."

Mr Aspe remains committed to reduce inflation to single digits which, on an annual basis, may happen as early as next month, and then to the levels of Mexico's main trading partners. The central bank reported inflation of 1.3 per cent in January, which is by tradition a high-inflation month. This was the lowest inflation for January since 1975.

The finance minister is not convinced a loosening of policy would help the ruling Institutional Revolutionary Party in the presidential election. "People would notice immediately and say: 'Oh my God what are they doing? We are going to have fun for six months and then a mess again.' You cannot fool around with fiscal and monetary policy."

The tight policy has been widely criticised for being too cautious

The Mexican government freely admits economic growth in the short term remains at the mercy of the proposed North American Free Trade Agreement, whose swift passage through the US Congress depends on the Mexican and the US administrations reaching prompt agreement on parallel accords on labour and the environment.

If Nafta is passed in the US, capital flows into Mexico would almost certainly increase, and interest rates could be lowered without endangering the exchange rate target of a maximum rolling devaluation of 0.4 of a peso per day (4.6 per cent a year). Indeed, the government is so convinced that Nafta would sharply alter expectations of future growth in Mexico that it has discussed ways to prevent excessive capital inflows fuelling inflation.

If Nafta is not passed - which the Mexican government considers highly unlikely – the government may find it difficult to finance the growing current account deficit, expected to be more than \$20bn this year. Government officials, however, are open to increasing the maximum rate at which the peso is devalued, if that looks necessary. The government is not considering a one-off devaluation.

The government is also prepared to accelerate economic reforms if Nafta is not passed, in part to reassure financial markets. "We will have to speed up structural change" if Nafta is not passed, says one senior official. "I think we can convince people to respond in this way, rather than shoot yourself in the foot [by reversing reforms]."

Political analysts have long speculated that rejection of Nafta would lead, in Mexico, to a nationalist backlash and to pressure to slow or overturn some of the present government's economic reforms. According to the official, it would lead to a faster opening of the economy.

Union threatened over wage negotiations

Bomb in Colombian oil town

AT LEAST 12 people were killed and 20 wounded yesterday in a car bomb explosion in the Colombian oil refining town of Barrancabermeja, police said, Reuter reports from Bogotá.

RCN radio, in a report from the town about 160 miles north of Bogotá, said the death toll had risen to 14 after two of the wounded died from their wounds, but there was no immediate confirmation from police.

Reports from the town said the bomb blew up five blocks from the headquarters of USO, Colombia's powerful oil workers' union. USO is in wage talks with the state oil company Ecopetrol and planned a national day of protest yesterday.

Mr Cesar Carillo, president of the oil workers' union, told Caracol radio in an interview that the union had been threatened with violence during the last few days as a result of the wage negotiations.

"We don't know if the victims are union members or oil workers," he said. "The authorities are still getting information. There is a lot of confusion."

Radio reports said Ecopetrol President Juan Maria Rendon was expected in Barrancabermeja at the time of the blast to inspect company installations but there was no suggestion that he might be among the victims.

The last bombing in Colombia occurred on January 30 when fugitive cocaine king Pablo Escobar allegedly set off a car packed with explosives in a busy Bogotá shopping street, killing 21 people and wounding dozens.

There was no indication that drug traffickers might be responsible for the Barrancabermeja blast. The oil capital is, however, in the centre of a major guerrilla zone. Guerrillas have attacked gold and coal mines, oil rigs and pipelines, power lines, government installations and army patrols.

Clinton signs orders to reduce government payroll and perks

By Jurek Martin in Washington

PRESIDENT Bill Clinton yesterday continued his attack on excessive federal employment by signing executive orders designed to reduce the government payroll by 100,000 over the next four years.

He also directed departments to cut their management costs by 3 per cent a year over the next four years, to get rid of as many as one third of existing advisory boards and commissions, and to eliminate a wide range of the perks available to senior bureaucrats.

The president estimated net savings of about \$9bn and repeated his exhortation of Tuesday, when he announced a 25 per cent reduction in the White House staff, that government must learn to get by on less. "This is only a beginning, not the end," he added.

Additionally, Mr Bruce Babbitt, the interior secretary, announced that he was reviewing special bonus payments made to senior members of his department by Mr Manuul Lujan, his predecessor. The leitmotif of Mr Clinton's drive to cut the size and cost of government is the presumed excesses of the Bush and Reagan administrations.

Most of the job savings will be achieved by natural wastage, not redundancies, the White House said. All departmental plans must be in place by 1995. Total federal employment is around 3m, including the notionally independent and 800,000-strong postal service.

Mr Clinton was expected to make much of his symbolic lead in cutting federal spending at a televised "town meeting" in Detroit, due to take place late last night.

Mr Babbitt said his most interesting discovery was the "pony perk," a plan to expand a federally maintained equestrian complex for the convenience of government officials. That particular plan is dead as of today," he said.

NEWS: WORLD TRADE

Japan's discounts safeguarded

By Robert Thomson in Tokyo

JAPAN'S Fair Trade Commission has ordered the sales subsidiaries of four leading electronics companies, Matsushita Electric Industrial, Sony, Hitachi and Toshiba, to allow retailers to discount their products without fear of losing supply contracts.

An investigation by the FTC, the anti-monopoly body, found evidence that the four companies had ordered large retailers not to discount the prices of electronics goods below certain specified levels.

FTC investigators also said that at least one of the companies is believed to have offered incentives to retailers who complied with the pricing orders and threatened to cut supplies to retailers who dared to discount deeper than the recommended level.

The case highlights the close relationship between each of the four companies and their extensive network of small dealers, who are believed to have complained to the companies that their sales were hurt by discounting by larger retailers.

A recent flurry of activity by the FTC follows past complaints by US trade officials, who alleged that the Commission was unwilling or unable to enforce Japan's anti-monopoly laws. They demanded that the Commission's investigative staff be strengthened.

The Commission's investigations have almost doubled in the past two years, but US officials have continued to suggest that the FTC is unwilling to tackle the country's better known companies or unravel the often complex relationships between large manufacturers and retailers.

The present case is linked to an FTC order to Japanese manufacturers in July 1991, making clear that retailers were free to set their own prices.

Last year, sales arms of the four electronics companies indicated to the FTC that they would abide by the advisory, but investigations into their trading practices continued.

If the electronics companies defied the FTC's order, they could be fined, but they indicated yesterday that executives would "study" the order to see how it affected their business practices.

● Sumitomo Chemical of Japan and Rhone-Poulenc, are forming a joint venture company to develop and market agricultural chemicals in France, Michiyo Nakamoto adds from Tokyo.

Sumitomo, which has a worldwide agrochemical business worth about Y6bn (£31.9m) to Y7bn and is a leader in the field in Japan, will own a large majority share of the new company, the company said. The joint venture, to be staffed mainly by Rhone-Poulenc employees, will mostly market the French company's products, but is expected to to develop and market Sumitomo's agrochemicals in future.

Qatar to increase steel production

By Mark Nicholson in Cairo

QATAR's state-owned steel company, just emerging from cumulative losses of \$100m in the 1980s, is set to award a \$275m (£182m) contract to nearly double capacity with the aim of exporting to Far Eastern markets.

Qatar Steel Company (Qasco), which is 70 per cent owned by the Qatar government, said 25 foreign companies have submitted bids for the project and a decision is expected within weeks. Mr Nasser al-Mansouri, head of the company, was quoted in the United Arab Emirates newspaper al Khaleej as saying that building would begin before the end of this year.

A new plant will be built under the expansion to raise capacity from the present 560,000 tonnes of reinforced steel bars by between 300,000 tonnes and 500,000 tonnes. The company's present plant, built in 1978 at a cost of \$300m, has for several years been operating at around 70 per cent of its design capacity.

Qatar plans to capitalise on its considerable resources of cheap gas from its north field operations.

Mr al-Mansouri said Qasco will have to double its paid-up capital of \$82m which, he said, would be welcomed by the company's present foreign partners. Two Japanese groups, Kobe Steel and Tokyo Boeki, hold 20 and 10 per cent of Qasco respectively. The company would not comment on how the recapitalisation and expansion would affect its shareholding structure.

Qasco last year made sales of \$192m and record profits of \$40m, largely through sales to neighbouring Gulf countries, Algeria, Iran and Egypt. The group's recent profits have enabled it to clear deficits incurred during the mid-1980s and Mr al-Mansouri said the company expects to complete repayment by next year of loans taken to build Qasco's existing plant.

The company is aiming to broaden its market , towards the potentially vast Iranian market and the Far East.

Potholes in the private road to public utilities

John Murray Brown reviews Turkey's BOT system

SIR ROY Watts, chairman of Thames Water, the privatised UK water authority, must have thought the deal was in the bag when he flew to Ankara last Friday to sign up for a \$700m (£460m) dam project using the Build Operate and Transfer BOT form of financing, a concept pioneered by Turkey.

As it turned out, there appeared still to be some details to attend to. Thames now hopes to initial an implementation agreement in the next couple of weeks, but that, as a number of contractors have discovered, is just the first hurdle.

The attempt to revive BOT, a method of franchise financing which uses private sector debt to fund public infrastructure, reflects the desperate state of public finances in Turkey. The move also underscores a personal rivalry between Prime Minister Suleyman Demirel and the man who more or less invented the BOT concept, President Turgut Ozal.

Under BOT, a contractor owns a plant for a set period – in Thames' case 15 years – before transfering it to the public utility. The contractor arranges finance, repaying the debt with revenues generated from the project.

Turkey is currently looking at three big schemes. The Thames Water project at Izmit, south-east of Istanbul, involves dam construction, pumping stations and more than 60 miles of water mains.

At Birecik on the Euphrates, a consortium led by Philipp Holzmann of Germany is looking at a DM2bn (£800m) hydro-electric scheme.

Discussions are under way with Enron, the US engineering giant, on three combined cycle gas and oil power stations at a total project cost of \$2bn.

The beauty of BOT is that it enables the government to finance public infrastructure "off balance sheet" as it shifts the risk from the government to the private sector. This is a key factor at a time when outstanding public and private external debt is \$56bn.

In addition, bankers argue that because the private sector is taking the risk, BOT will ensure more rigorous project disciplines. The onus is on the private sector developer to see the project is viable and can be completed on time – otherwise he cannot recover his costs.

Another attraction is that the consortium's financing will typically incorporate an equity element, in effect bringing in foreign capital investment which would not be available under a turnkey government project.

However, where BOT has come unstuck is where discussion turns to the levels of guarantee available in the securities package. The traditional concerns are currency risk, resource risk and, most critical of all, protection against *force majeure*, where natural or other disasters prevent the contractor from completing, leaving the question as to who has to repay the banks.

The beauty of BOT is that it lets government finance public infrastructure 'off balance sheet' by shifting risk to private sector

As a first stage, Thames has to sign an implementation agreement which gives the consortium the licence to sell water, hitherto the state's legal monopoly. Perhaps inevitably, there is already some opposition within Public Works, the agency handling state sector water projects, which is naturally reluctant to see its powers curtailed by a private sector developer in an area traditionally handled by government.

Accounting for resource risk will be just as challenging. According to Chase Manhattan, which is advising Thames, the Izmit authority will undertake to buy 140m cubic metres of water a year. The terms of the offtake agreement in effect means the purchaser pays for the water whether or not he takes delivery – the only way these BOT schemes can hope to work.

Thames has also to secure an offtake arrangement with the Istanbul water authority, under which the Izmit authority will sell water on to its Istanbul counterpart.

On the Birecik scheme, for example, where Chase is also the adviser, the consortium has to secure a sales agreement with TEK, the state-owned power utility to buy the project's electricity. In addition, an accord has to be struck with DSI, the state hydraulics corporation, to guarantee that the Ataturk dam upstream discharges a certain volume of water to enable Birecik's turbines to operate.

The price has then to be agreed, denominated in a hard currency. On the Ankara metro scheme, one of the reasons BOT failed to attract bank support was the difficulty matching the project's external debt servicing needs with the Turkish lira revenue flows from the metro's tolls.

If these problems seem surmountable, the parties are expected to have more difficulty agreeing a formula in the case of *force majeure* interrupting the revenue flows, and in turn affecting the ability of the developer to repay the banks.

Chase is using a subordinated loan mechanism, in effect a standby facility which will repay the banks in the event of *force majeure*. Again, the Ankara metro, which the Treasury eventually decided to finance with a full sovereign guarantee, envisaged an unlimited subordinated loan, another reason that the BOT scheme collapsed.

During construction, Chase has set the level of the loan at \$270m, which falls away to \$50m during the less risky operational period. However, it is still unclear who will be the subordinated lender. Some observers fear this could still prove the project's Achilles heel.

Indonesian paper mill for India

By Kunal Bose in Calcutta and Stefan Wagstyl in New Delhi

SINAR Mas, an Indonesian industrial group, plans to build a Rs3bn (£62m) paper mill in India.

The company, Indonesia's second largest combine, is submitting a proposal to the Indian government for a 200,000 tonnes a year paper mill. The mill would import pulp for conversion into paper for sale in India and other south Asian countries.

The project is one of several investment schemes in India proposed by foreign companies since the government of Mr P V Narasimha Rao, the prime minister, embarked on economic liberalisation in mid-1991. The authorities last year approved investments totalling about \$1.3bn. But the actual flow of funds has been much smaller around \$300m. It is not clear how quickly Sinar Mas will go ahead with its scheme.

Mr M K Raina, a leading executive in the Indian paper industry who is to head the Indonesian group's Indian operation, said Sinar Mas would invest a total of \$1bn in India over five years in various projects including the paper mill.

Construction expected to start this year

Consortium meets to agree Argentina-Chile gas pipe

By Leslie Crawford in Santiago

A GROUP of Chilean, Spanish and Italian companies will meet Argentine natural gas producers this week to finalise the supply contracts for a \$1bn (£600m) trans-Andean gas pipeline that will export gas from Argentina to Chile.

The consortium – formed by Chilectra and ENAP of Chile, Italgas and SNAM of Italy, and Gas Natural and Enagas of Spain – wants to tap the natural gas fields in southern Argentina.

It will then transport gas across the Andes, along a 1,200-km pipeline to Santiago, the Chilean capital.

The pipeline is the biggest infrastructure project between neighbouring countries in Latin America since the international debt crisis of the 1980s put a halt to ambitious schemes of what were then military governments in the region.

Pre-feasibility studies for the pipeline have been completed and the consortium has retained Chase Manhattan Bank of the US to act as adviser for the financing of the project.

Construction began this month on a 425km oil pipeline that will link oil fields in southern Argentina to Chilean refineries in the southern ports of Talcahuano and San Vicente, Leslie Crawford writes.

The \$300m project is being built by the two state oil companies, ENAP of Chile and YPF of Argentina, and by Banco Rio de la Plata, an Argentine bank. The pipeline through the Andean mountains is the first project of its kind between the two neighbouring countries. It is expected to reduce Chile's oil import bill by cutting transport costs – ENAP now imports oil from Africa.

The pipeline will also allow Argentina to ship oil to the Far East from Chilean ports on the Pacific Ocean.

Construction work is expected to begin this year, with completion scheduled for early-1996.

"The pipeline makes economic sense for the two countries," says Mr Brian O'Neill, Chase Manhattan's senior vice-president for corporate finance.

"Argentina is in a strong position to become an energy exporter, while Chile clearly needs to burn cleaner fuels," he said.

Chilean energy officials back the project as a means to convert industry, buses, taxis and other fleets of vehicles to compressed natural gas, thereby reducing the smog that is suffocating Santiago.

Mr O'Neill believes that, if the trans-Andean pipeline is a success, Argentina will be able to set its sights on exporting natural gas from its northern fields to the state of São Paulo in Brazil, that country's industrial heartland.

Chile's recent return to international standards of creditworthiness also makes the financing of the \$1bn project more apt to be feasible.

Chase Manhattan envisages a blend of funding options, including bilateral government credits, commercial bank loans and tapping of the Chilean capital markets, as well as a significant equity component from the companies involved.

Dozen pits may be saved without need for new law

By David Owen

THE draft policy document on the future of Britain's threatened coal industry has sidestepped most of the main recommendations of the Commons trade and industry committee in favour of an alternative plan to expand the market without new legislation.

The government hopes its approach will create an extra market of about 12m tonnes a year for domestic deep-mined coal, saving about a dozen of the 31 mines threatened with immediate closure.

The latest government blueprint under discussion in cabinet envisages expanding the market for deep-mined coal by:

- Blocking imports of orimulsion – a bitumen-based fuel used on a limited experimental basis in some power stations.
- Slowing the planned run-down of coal stocks.
- Cutting output from open-cast mines.
- Using subsidies to halt growth in coal imports.

It believes it can avoid the committee's more radical proposals – halting purchases of nuclear-generated electricity from France, cutting the £1.2bn domestic nuclear levy and postponing electricity market liberalisation – all of which would require new legislation.

The committee's recommendations would result in an additional market of at least 16m tonnes per year, implying more than half the threatened pits could be rescued. In an unusual move, the committee plans today to use a press conference to assert its proposals could be implemented for much less than the £500m originally stated.

A recent FT survey of the Conservative MPs most likely to rebel over coal indicated proposals to save between 12 and 14 pits would safeguard the government's Commons majority. But the government's plan hinges on cajoling National Power and PowerGen, the two main electricity generators for England and Wales, into signing new five-year contracts for coal purchases over and above the 40m tonnes next year and 30m in the subsequent four years they have tentatively agreed to buy.

Senior ministers are relying on the combination of a direct Treasury subsidy and the implicit threat of a Monopolies and Mergers Commission inquiry into the generating industry to secure a deal.

They want the two generators, in which the government retains a substantial 40 per cent interest, to sign a "heads of agreement" by the end of this month.

While ministers acknowledge they are meeting resistance from the generators, which are not legally obliged to buy any coal, they think the promise of five years of stability in the industry will persuade them to back down.

Mr Michael Heseltine, trade and industry secretary, has concluded that fresh legislation would threaten prolonged rows at Westminster and provoke a backlash from the generators' non-coal suppliers.

He has been advised that the government's plan would not fall foul of the European Commission or the General Agreement on Tariffs and Trade.

If agreement is reached, he will present the package to MPs as a strictly limited programme to phase out existing coal subsidies, emphasising that present arrangements for the electricity market involve an implicit subsidy for coal of around £1bn a year. This would be reduced to £350m or less next year and to nothing by 1998.

He will also emphasise that the deal will permit publication of a bill to privatise coal this autumn.

Ofwat urges companies to stop leaks, install meters

By Bronwen Maddox, Environment Correspondent

OFWAT, the water industry regulator, yesterday urged companies to plug leaks in water mains and install more water meters rather than build expensive new reservoirs to meet growing demand for water.

Mr Ian Byatt, Ofwat's director-general, said meters were installed in only 5 per cent of households. But he warned that some metered customers had been charged too much for water.

According to Ofwat, steps the companies are taking now will account for a quarter of the rise in water bills above the rate of inflation between 1990 and 1995.

Yesterday's report by Ofwat is the last in a series of consultation papers leading up to next year's periodic review, at which it will reassess the basis for annual price rises for the first time since the December 1989 privatisation. Wide differences between the companies and the regulator have emerged on the question of how customers should pay for improvements.

Ms Janet Langdon, director of the Water Services Association which represents the 10 large water and sewerage companies, said yesterday: "We don't think it's yet clear that metering reduces demand – it is premature to conclude that ahead of the results of trials by the Department of the Environment and the companies which will be completed later this year".

She added: "We have a statutory duty to supply water and if it suddenly ran out there would be the most fantastic row".

According to Ofwat's report, average water bills for metered households in some regions were between £12 and £60 a year higher than for unmetered households, and sewerage bills were between £8 and £73 higher. The average annual household water and sewerage bill this year is £170.

Mood of desperation haunts government

THERE are dark mutterings again on the Tory backbenches. It is not so much panic, more a mood of resigned desperation. Each week it seems brings a fresh crisis, each crisis a fresh U-turn.

The latest furore over Maastricht is symptomatic. Nothing new has happened. It has been apparent for months that the eventual vote on Labour's amendment to remove the British opt-out from the social chapter would create an unholy alliance to threaten the government's majority.

Lord Tebbit, Labour leader Mr John Smith and Mr Paddy Ashdown of the centrist Liberal Democrats have added nothing to their previously stated positions. The latter two insist the treaty would survive the amendment. Lord Tebbit and his faithful band of Euro-sceptics in the House of Commons are in ironic agreement with the foreign office that insertion of the social chapter would wreck the legislation.

The vote is at least four, and possibly as many as eight, weeks off. A defeat would be a serious blow for Mr John Major. But it would be followed by a vote of confidence. The prime minister would win. The amendment could then be removed again at the bill's report stage.

That the issue has caught alight so far in advance of its denouement simply underscores the brittle confidence of the government and its supporters. When there is no immediate crisis in sight they go in search of one.

But it is not quite so hard to understand the undercurrents of anxiety among Tory MPs. The crumbling of confidence in the pound on financial markets has provided an awkward reminder that sterling crises happen outside as well as inside the exchange rate mechanism. Economic recovery seems elusive. The chancellor is threatening to increase taxes. Unemployment is heading above 3m. Friends in the City warn that inflation might soon be a problem.

The backbenchers have no simple or coherent remedy of their own. His intensive pre-budget consultations have left Mr Norman Lamont's ears ringing with confusion.

Some want immediate tax increases – via the extension of Value Added Tax – to halt the haemorrhaging in government finances. Others insist that any significant rise in taxation eventually would send Mr Major the way of Mr George Bush. The favoured compromise is the announcement in March of modest tax increases to take effect in December.

In truth the average Tory MP is as uncertain as the average cabinet minister about how best to nurture sustained recovery. As Mr Lamont discovered to his cost, in such febrile times even a cut in interest rates can be mis-interpreted. The reflex response of some has been to demand that Mr Major reshuffle his ministerial team – as if a few new faces around the cabinet table would somehow calm the markets and fill the high streets.

Mr Major does have a strategy. It is entirely rational. But it is hardly one he can shout from the rooftops: the prime minister intends that his government should survive the next six months.

The prevailing assumption in the cabinet is that until economic recovery is visible and until the the party has stopped tearing itself, the government should be content to avoid defeats in the Commons.

Philip Stephens

Former minister defies party line

Ralph Atkins on Lord Tebbit - 'polecat' of the Tories

THE "polecat adorned with ermine" – an epitaph he chose himself – was back. Lord Tebbit demonstrated yesterday his flair for grabbing the headlines and shaping political debate at Westminster.

Addressing journalists at the Commons, he said that when he joined the House of Lords "there must have been a good many in high, or even low, places muttering, 'well that's got him nailed up safely in his political box'."

Not for the first time, Lord Tebbit, with his caustic anti-Maastricht plotting, was biting at the establishment that once fed him.

He may have been flattering himself unduly. Elsewhere at Westminster, the reaction was more condescending than outraged. Mr Douglas Hurd, foreign secretary, was not provoked into a rebuttal. A government official sniffed: "He is is yesterday's man."

The 61-year-old former Conservative party chairman, trade and industry secretary, and employment secretary, has only a fraction of the influence he once held. At his height he was a close ally of Mrs Margaret (now Baroness) Thatcher, former prime minister.

He was the archetypical Thatcherite minister, a state-educated boy who had worked himself to the top. His brash style fitted in a conviction-driven government. He told the unemployed to get on their bikes to look for work. He was ambitious, privately harbouring ambitions to be Conservative leader but left the government mainly to care for his wife, who was badly injured when the IRA bombed the hotel used by the Tories during their 1983 conference.

He did not, however, have a personal following in the House of Commons and, after leaving office, earned disrespect for raising immigration as a political issue. Now he risks devaluing his credibility with each, ever stronger, outburst.

His importance rests on the belief that he does, to some extent, speak the mind of Baroness Thatcher – still a totem for the Tory right-wing.

He is a master at rabble rousing, successfully dividing last October's Conservative conference with an electrifying speech on Europe in front of Mr John Major and Mr Hurd. He is an embodiment, perhaps, of the darker side of many Tories – enunciating their fears about an encroaching European state.

Lord Tebbit, at the peak of his career as Tory chairman, hails an ovation at the 1985 conference led by the then prime minister, Margaret Thatcher. He has since been branded a rabble rouser

But he has received a lukewarm reaction from some Tory Euro-sceptics. "We don't take our orders from Tebbit," said one. "We will take our own decisions in our own time," said Mr James Cran, a prominent dissident.

Lord Tebbit may have damaged their tactics. One loyalist Tory said the Euro-sceptics' debate about the opposition Labour party's amendment to the Maastricht treaty was peaking too earlier.

But that may be too optimistic. Lord Tebbit's talent for self-resurrection is not exhausted yet.

London SE rules on trading to be investigated

By Richard Waters

THE Office of Fair Trading is investigating London Stock Exchange rules which have helped centralise share trading on the official UK market.

The rules guarantee that the exchange's share prices are always the best available on any electronic price system, encouraging investors to use the official market rather than trading outside the exchange.

Unusually among international markets, the London exchange controls almost all the turnover of shares in companies it lists. The New York Stock Exchange has seen trading seep away to rival systems in recent years, while the leading European bourses have lost business to London.

According to the Securities and Futures Authority, the UK regulatory body, less than 5 per cent of turnover in UK companies' shares takes place outside the exchange.

The exchange's rules forbid brokers and dealers from quoting better prices on any other electronic trading system. The regulations cover both the domestic stock market, prices for which are carried on Seaq (Stock Exchange Automatic Quotation system), and the international share market which has grown up rapidly in London in recent years on the back of the exchange's Seaq international service.

The OFT said it was looking at the exchange's rules, "as part of our continuing exercise of monitoring City rules and practices."

The review comes as a number of rivals are looking to challenge the exchange. Tradepoint Financial Networks, a system headed by Mr Stanley Ross, a founding figure of the Eurobond market, last week completed efforts to raise $11m and plans to launch later this year.

Instinet, the Reuters subsidiary which has taken a substantial share of US trading, has also made efforts to break into the London market over the past year.

Britain in brief

Leyland Daf set to cut 1,600 jobs

Around 1,600 jobs are expected to be cut at Leyland Daf, the UK subsidiary of the beleaguered Anglo-Dutch commercial vehicle maker, in a first round of redundancies that will probably be announced tomorrow.

The UK workforce of Leyland Daf, which collapsed into administrative receivership last week, currently totals around 5,500 with 2,200 in Leyland, Lancashire and 2,000 in Birmingham.

Overseas banks seek debt code

Overseas banks based in London have proposed to UK banks that they should jointly set up a register of corporate loans to prevent lending to companies which already have excessive debts.

The Foreign Banks and Securities Houses Association has sent a detailed proposal for the establishment of a register to the Bank of England and the British Bankers Association.

The proposal hints that overseas banks would reduce their commitment to operating in the City of London if such a register was not created.

Assets may back school borrowing

Schools and hospitals could be allowed to borrow against their assets as the government develops its plans for involving private finance in public projects. The Department of Health, the Education Department and the Home Office are among areas where the Treasury believes there is the most scope for enabling the government's private finance initiative to evolve beyond the transport infrastructure.

Acas tackles 72,000 claims

A record 72,166 unfair dismissal and discrimination claims were dealt with by the Acas conciliation service last year – almost 20 per cent more than in 1991.

The rising workload of the service, which has a statutory duty to conciliate between employees and employers before a case goes to an industrial tribunal, shows the increased reliance of individuals and trade unions on the law to resolve disputes.

Skill shortages still exist

Skill shortages, while at a much lower level than two years ago, still exist especially among small engineering companies, according to a Department of Employment survey. The survey showed a sharp decline in skill shortages over the past two years. Five per cent of large companies interviewed had hard-to-fill vacancies in 1992 compared with 22 per cent in 1990.

UK bids for science centre

The UK submitted an £8m bid to host a new international science centre near Cambridge. The government's Medical Research Council and the Wellcome Trust, the largest UK charity, would jointly fund the building of the European Bioinformatics Institute.

EBI will provide computerised information about human, animal and plant genes to researchers throughout Europe. The UK is competing with Germany to host EBI. The Germans want the institute to go into a new building on the site of the existing European Molecular Biology Laboratory in Heidelberg. Britain, in contrast with France, Germany, Italy and the Netherlands, hosts very few European scientific institutions.

London office for BFG Bank

BFG Bank, Germany's sixth-largest bank, bought a London office for £70m from Shell Pensions Trust – the latest in a recent spate of large acquisitions by German investors who are attracted by the long leases and high investment yields of London office buildings. The 216,000 sq ft building, gives the purchaser an initial yield of 9.75 per cent.

Music industry plays a familiar tune

Michael Skapinker examines the reliance on ageing stars by manufacturers and retailers facing recession

BOB Dylan was back in London this week, singing his old hits. The critics complained that he seemed bored – if so, he was again capturing the spirit of a former age.

Last year, the British music industry saw deliveries to record dealers drop 2.4 per cent to £692.5m – the first fall since 1980. In the most difficult trading conditions many in the music industry have seen, companies have fallen back on old and trusted names.

Mr Simon Burke, managing director of the retail arm of Mr Richard Branson's Virgin group, says: "There's been an undue emphasis on safe bets, like Cher, Madonna, Michael Jackson. They're eminently bankable, but they're not new."

Music manufacturers and retailers report that other successes have been compilations of greatest hits by familiar names such as Pink Floyd, Cliff Richard, Queen, Genesis and Simple Minds. Industry executives, meanwhile, say that although new names pop into the charts frequently, few have had a lasting impact.

Mr Paul Conroy, managing director of Virgin Records, which Mr Branson sold to Thorn EMI last year, says: "There have been a lot of one-off hit singles. But the artists don't go off and develop acts. You look at the acts that there are and a lot of them are old people."

Mr Burke says: "The strength of creative output is not as great as in the old eras of music, but these things go in cycles. During the 1980s, music had a pretty good time, but you can't do that forever."

The drop in sales has been particularly marked among the under-25s, usually a mainstay of the music business. The recession and the absence of new hits only partly account for the dearth of young buyers. Industry executives point to the large number of alternative leisure pursuits available, particularly computer games.

Mr Burke says although music sales in Virgin stores will be higher this year than last, it is teenagers buying computer games who will really lift profits. "There's a buzz around new computer game releases that there used to be 10 years ago around new music releases."

Mr Brian McLaughlin, UK managing director of HMV, the music retailing arm of Thorn EMI, says sales have been better among the 25-40 age group. "They're becoming a more important part of our business. They're more interested in music than they've ever been."

The compilations of old hits have sold particularly well to this group. Many were previously vinyl record buyers who are now building up compact disc collections.

A particular disappointment to the industry has been the failure of classical music and opera to retain the sales momentum they built up in the late 1980s and early 1990s. The success of Nigel Kennedy, the British violinist, and the huge sales generated by the opera star Luciano Pavarotti raised the hope that classical music had extended its appeal to more British consumers.

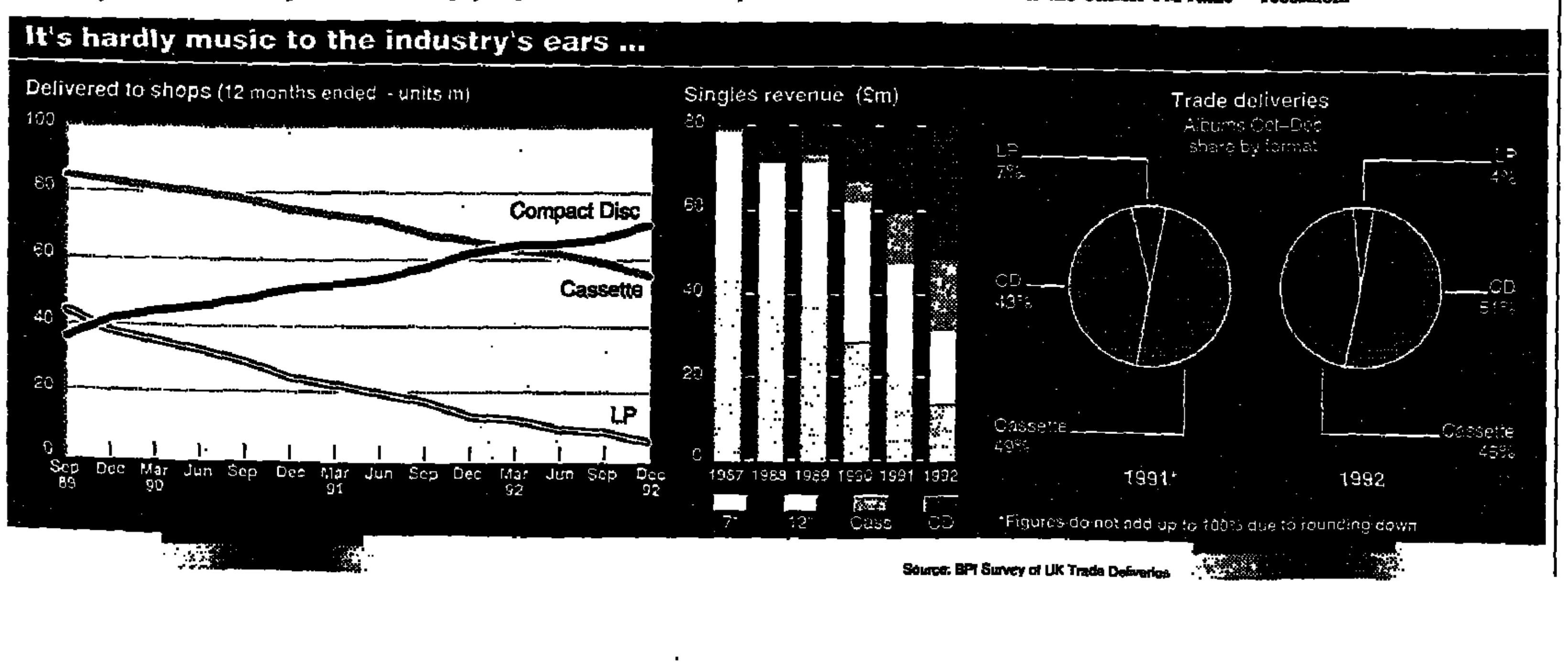
But Mr Burke says: "That burst of enthusiasm for classical music was a bit of a flash in the pan. It was a trend based on a few artists and a few particular works that people wanted."

The industry hopes that the success of the Classic FM radio station will regenerate interest in classical music. Some classical compositions are still attracting buyers. A surprise success has been the Polish composer Henryk Gorecki's third symphony.

Mr Rupert Perry, UK chief executive of EMI, says a music industry revival may be some way off. If past experience is any guide, he says, the music industry will recover a year after the rest of the economy.

He and many of his colleagues reject the recent accusation by Sir Malcolm Field, managing director of WH Smith, that manufacturers have kept CD prices too high and that they should cut them to stimulate sales. "WH Smith's results weren't good, so he's trying to point a finger," Mr Perry says.

Mr McLaughlin says: "It's always questionable that if you drop prices volume will go up. We're not seeing any resistance to CD prices. CD sales are still growing, even during a recession."



Export demand shapes pattern of regional recovery

By Peter Norman, Economics Editor

EXPORT demand is shaping the regional pattern of economic recovery in Britain, with industry in north-west England, Wales and Scotland reporting increased overseas orders following the devaluation of sterling after it left the European exchange rate mechanism in September, according to a survey published yesterday.

The latest quarterly survey of regional trends from the Confederation of British Industry and Business Strategies, an economic consultancy, found total manufacturing orders and output fell in all UK regions except Wales in the four months to January.

Export orders increased in Wales, Scotland and north-west England between October last year and January, while manufacturers in the north-west and south-west also increased their deliveries to overseas customers.

Manufacturers in all regions expect increased export orders in the first four months of this year. On balance, industrialists in all regions expect to deliver more products overseas, except in the east Midlands, the area of central England where export deliveries are expected to be unchanged.

The survey of 1,173 UK companies, carried out between December 21 and January 11, found increased optimism about the business situation and export prospects over the next 12 months in all regions.

Mr Charles Burton, joint managing director of Business Strategies, said the linkage between increased optimism and improved export prospects gave some hope that the expected recovery would not be another false dawn.

According to Mr Andrew Sentance, the CBI's director of economic affairs, business confidence improved most in south-west England, the west Midlands, Wales and south-east England. The smallest rise in optimism was reported in the east Midlands, northern England, Yorkshire and Humberside, East Anglia and Northern Ireland.

The survey found manufacturers in all regions expect increased orders in the first four months of this year but output is expected to grow less robustly as companies run down stocks. Companies in northern England anticipate a sharp reduction in stocks over the coming months with the result that output in that region is expected to continue falling.

The outlook for jobs in manufacturing is bleak. Manufacturing employment is expected to fall to 4.43m at the end of the first quarter of 1993 from an estimated 4.5m at the end of last year.

All regions will experience job losses. London and south-east England will be particularly hard hit, with manufacturing employment falling by about 7.5 per cent in the present quarter compared with a year ago. Wales and Northern Ireland will suffer least, with manufacturing employment forecast to fall by 3.1 per cent compared with the first three months of 1992.

Selling coffee to the Brazilians

The world's largest coffee producer is fighting to maintain its home market, writes **Christina Lamb**

From plush government ministries in Brasília to humble wattle and daub homes in the poverty-stricken north-east it is impossible to go anywhere in Brazil without being offered a cafezinho, a small cup of strong black coffee so full of sugar that a spoon stands up in it.

It is such a national symbol that last year, when the presidency wanted to convey to the people the full gravity of the country's economic crisis, it stopped serving cafezinhos in its offices. Surely the world's largest coffee-producing country does not need to advertise the stuff to its own people.

Yet Brazil is currently in the throes of an advertising blitz on television and in magazines to promote the world's favourite pick-me-up. Supermarkets are handing out leaflets and recipe cards and taste stands have become a common sight at conferences and seminars in the latest stage of the Brazilian coffee industry's first-ever promotion campaign.

For while Brazil remains the world's second largest consumer, per capita consumption has plummeted by almost 50 per cent in the last 10 years. The worried coffee industry started to respond in 1989 – initially through targeting retailers and trying to encourage the public to differentiate between blends and become more discriminating. Latterly, the generic campaign – which has cost more than $10m (£6.6m) and is the first of its kind by any sector of the Brazilian food and drink trade – has been aimed more directly at consumers.

Nowhere is more associated with coffee than Brazil. It has been grown there since 1727, after a goatherd in Ethiopia discovered his charges became more frisky whenever they ate coffee beans. Brazil is now responsible for 25 per cent of world production though coffee is no longer the basis of its economy.

Always focused on exports, the Brazilian coffee industry until recently paid little attention to the home consumer. As a result the local population thought it was being fobbed off with inferior products and began turning to other beverages such as tea or juice.

In 1988 a study commissioned by the Brazilian Coffee Roasters and Grinders Association found that 67 per cent of Brazilians thought that "all good and pure coffee was exported and that sold in Brazil was impure and of low quality".

This was partly true. Years of government price controls meant that the local industry had no incentive to produce better coffee for the domestic market. However, since 1989 a world glut and falling international prices has intensified the need to build up the home market. America Sato, president of Abic, explains: "It has become essential for our survival to recapture Brazilian consumer confidence in the quality of our coffee."

In its study Abic found that Brazilian per capita consumption had dropped from 4.6kg per annum to 2.8kg since the 1970s and was falling off rapidly. "We were ceding space to other drinks and there is a big potential for increase," Sato says.

As a first step the industry created a "self-monitoring and purity control programme", establishing the Abic seal of quality and contracting consultants Peat Marwick and Ernst & Young to oversee a constant evaluation. The seal is now on 80 per cent of coffee for domestic consumption.

The 600 members of Abic united to invest $2m a year in marketing. "If we were to reconquer the consumer it had to be through an institutional campaign rather than just separate companies advertising their own products," says Sato.

Abic contracted the São Paulo-based Rino advertising agency with the aim of increasing total consumption by 20 per cent in the next two years to 11m bags (each 60kg). Rino Ferrari, who heads the campaign, says: "It is a major challenge. Coffee has a serious problem in Brazil. It's not just a matter of saying coffee tastes good, but of totally changing the image of coffee."

The liberation of prices in 1991 meant that the industry could concentrate on quality for the home market and the latest stage of the campaign focuses on quality and diversification. Sato explains: "In the past all coffee in Brazil was seen to be equal and of a lower standard. Now we're saying 'coffee is different and each consumer has his or her own palate so buy accordingly'."

The television ads currently showing during prime time show a group of different people, all wearing the same mask, under the slogan: "Purity you must demand. Quality you should choose."

The aim is to make consumers aware that coffee comes in different flavours and aroma resulting from different types of beans and degrees of roasting. Rino is also distributing free recipe cards and running adverts in women's magazines to show the different potential uses of coffee – in cakes, ice cream and Irish coffee, for example. Ferrari says: "We're aiming at everyone over 25 from all social classes but the real ambition is to get the habitual consumer to drink more, be more selective in the purchase and more adventurous in the use."

To encourage publicity an annual prize has been set up for reporting on coffee and Abic has started its own newspaper. An accord has been signed with Campinas University to monitor consumer reaction.

The next step is a $2m promotion of coffee as a stimulant, aimed at young people whom Abic has found begin drinking coffee only after starting work. "Coffee is seen as Brazil's national drink throughout the world," says Ferrari. "We have to make sure Brazilians keep drinking it."

The current campaign aims to make consumers aware that coffee comes in several flavours resulting from different types of beans and degrees of roasting

Soft approach keeps toilet paper ads rolling

Gary Mead looks at Andrex's plans to take its puppy campaign to the Continent

In 1942, Andrex Surgical Toilet Wadding established a set of brand values which, in 50 years, have hardly changed.

Today it is difficult to imagine any consumer goods company running advertising with the same blatant snob-price appeal; yet premium pricing remains the foundation of Andrex's extraordinary success.

That success was demonstrated recently by market research which puts Andrex into fourth place in the league table of UK brands sold through grocers. On an advertising spend of £13m, according to Nielsen research data, Andrex sold £193m in 1992, moving ahead of Nestlé's coffee brand, Nescafé (£177.8m). Only Unilever's soap powder, Persil (£237.2m), Coca-Cola (£237m) and Procter & Gamble's soap powder, Ariel (£224.4m), did better.

On other score sheets Andrex's showing is even more impressive; according to the trade magazine Marketing, its £5.7m television advertising campaign achieved a higher prompted recall than any other brand, leaving the much-hyped Nescafé Gold Blend advertising, featuring the drawn-out saga of a couple whose on-off relationship is conducted over coffee beans, in only fifth place.

The fast-food chain McDonald's spent almost three times that sum on its television advertising in 1992, but languished 19 places behind Andrex in Marketing's prompted recall chart.

Andrex's up-market strategy was evident from its first campaign, with press advertising which subtly probed the consumer psyche: "You buy powder and good soap, of course, but are they everything? What do you use in your toilet? Is it as safe and as pure as it should be? Are you paying enough for it?"

Customers probably were; at the time of its launch Andrex was sold only in Harrods. In the meantime Andrex, now owned by Scott Paper, has become a classic example of a brand which has successfully managed to charge substantially more – a price premium of up to 40 per cent above the market average – and yet dominate on what should be a thoroughly commoditised and price-only battlefield.

Andrex currently has about 34 per cent (by value) of the UK toilet tissue market, the next major brand being Kleenex, owned by Kimberly-Clark, with 12.6 per cent (ranked 26 in Nielsen's top 100 brands). The questions now are how far it can sustain its position in the UK - especially given the rise of own-label brands right across the spectrum of consumer products - and how far Scott can penetrate the continental European market. Kleenex, for one, is investing $200m in what is claimed to be Europe's biggest toilet tissue mill, in France, aiming at taking the European toilet tissue market by storm this decade.

It took a step in that direction one year ago, by introducing common European packaging for the entire Kleenex toilet tissue range.

In the UK, though, Andrex faces its major marketing battle not against Kleenex but against own-label products, with a 39.7 per cent market share, again by value. In volume terms own-label products have a 41.2 per cent share, against Andrex's 29.2 per cent and Kleenex's 11.6 per cent. Premium price toilet tissue accounts for 61.6 per cent of the UK market, giving Andrex, a premium product, plenty of scope for eating into the own-label threat.

Andrex's up-market strategy was evident from its first campaign: 'What do you use in your toilet? Are you paying enough for it?'

Andrex is a UK-only brand so far; Scott markets toilet tissue under other brand names, Scottex and Cotonell, in the rest of Europe. But Scott intends following up the astonishing popularity of its UK television advertising campaign – featuring a Labrador puppy which entangles itself in toilet tissue – by extending the same campaign into the rest of Europe.

The puppy has been with Andrex since 1972 and, like many successful advertising images, was a matter of chance. Andrex's advertising agency, J Walter Thompson, had originally thought of using a little girl to muddle up a toilet roll; but the Independent Television Commission, the UK body which monitors television advertising, ruled against the idea on the grounds that it might be seen as encouraging children to waste paper.

JWT has been Andrex's advertising agency since 1956, which itself is something of an achievement given that client-agency relationships tend to be stormy affairs. The puppy was thus substituted, with the idea of demonstrating what Andrex claims as its key attributes – softness, length and strength.

At least one own-label premium toilet tissue in the UK – Tesco's – has thought Andrex's original slogan – "soft, long and strong" – good enough to be worth adopting on its own product.

At the end of January this year JWT Europe got the go-ahead from Scott to set the puppy running across west Europe's TV screens. It is now being used in Spain, Portugal, Belgium, Italy and Germany. Andrex's marketing manager, Paul Duncanson, is fond of the puppy: "I cannot overestimate the contribution that little animal has made."

He has every reason to be proud; since the puppy first appeared, Andrex's volume share of the UK toilet tissue market has risen from 5 per cent to its current dominance.

But Scott faces a tricky problem in its effort to repeat across Europe its UK branding success with Andrex. In France, for example, the biggest brand, Lotus, has a volume share of less than 16 per cent and sells at a price premium of only 19 per cent above the market average.

In Germany – the largest European toilet tissue market accounting for about a quarter of EC volumes – the biggest brand is Bess, with a national volume share of only 11 per cent. But the own-label sector has 67 per cent of the market, and has recently witnessed a price war. Scott and JWT will be hoping that their old dog will be able to come up with a few new tricks to please potential continental customers.

CFCs get the cold shoulder

Italy's Candy white goods group this week unveiled what it says are the world's first mass-produced refrigerators which work without environment-damaging chlorofluorocarbons.

The new fridges use HFC 134a, an alternative chemical which is now the front-runner to replace CFCs in refrigerator applications. Unlike CFCs, HFC 134a does not harm the earth's ozone layer. It is in commercial production by ICI and Du Pont.

The Candy range, which is being introduced two years ahead of a European Community accord to phase out CFCs by 1995, may soon be followed by other leading manufacturers. A number of European companies are believed to be working on CFC-free fridges, some of which may be unveiled at next week's big Domotechnica consumer durables trade fair in Cologne.

Although the new range does not include CFC refrigerant, it is still only a half-way house as far as the use of chemicals for insulation is concerned. For their insulating material the Candy fridges use HCFC 141b gas, a hydrochlorofluorocarbon which Candy admits is "a transitory solution". Although the chemical dissipates in the atmosphere 10 times faster than CFCs, researchers are still working on an environmentally harmless solution for insulation use.

Silvano Fumagalli, chairman of Candy's main operating company, said the group, like other big white goods makers, was looking into the use of cyclopentane as an alternative. Experimental fridges using cyclopentane are already believed to have been tested.

However, the gas is dangerous to handle and foam produced from it is a less effective insulator than that from HCFC 141b.

Fumagalli said Candy was working closely with chemical companies in the search for suitable alternatives. The new Candy fridges already marked a step forward in eliminating CFCs without compromising operating standards, he said.

Haig Simonian

After European HDTV's expensive crash, **Della Bradshaw, Louise Kehoe and Michiyo Nakamoto** ask what can be salvaged from the wreckage

Searching for a clearer picture of the future

The single European market is only one month old, yet the community's flagship technology project has already foundered.

The high-definition television strategy promised to bring cinema-quality pictures to Europe's television screens, by imposing a single standard, HD-Mac, on Europe's broadcasters. But that promise now seems increasingly hollow.

"The European Commission's approach has been most unfortunate," says Philip Carse, a consultant at National Economic Research Associates (Nera) in London. "It has backed a standard which is becoming more obsolete by the minute."

For the European taxpayer the bill for research and development into HDTV runs into hundreds of millions of pounds. But the cost to Europe's struggling electronics companies is more than monetary.

They have now missed the opportunity to accrue manufacturing experience in the latest technologies, while Japanese manufacturers have grasped the opportunity with both hands. Japanese broadcasters, too, are garnering experience in programme making for HDTV.

But as manufacturers sift through the bones of Europe's high-profile venture, many experts are increasingly sceptical that consumers would have paid for a technology which brought only incremental improvement in the quality of the television picture.

"My view was that it would always be a slow take-up," says John Forrest, chief executive of NTL, the privatised transmitter and engineering arm of what was the UK's Independent Broadcasting Authority. "The question was whether people would be prepared to pay to switch from pretty good quality television to HDTV. It was not the same jump as from black-and-white television to colour."

Even the most ardent proponents of HDTV acknowledge that the full benefits of the improved picture cannot be achieved on the standard 21- or 23-inch television set. Initially viewers would probably need projection television – where the picture is broadcast like an old-fashioned home movie on to a screen. As technology developed, large flat-screen television sets would be used, but for these viewers would probably have to wait until the next century.

HDTV promises a better-quality picture because it crams more picture elements, or pixels, into each square inch of the screen. While conventional TV pictures have 120,000 pixels, HDTV has about 700,000.

The fundamental dilemma was whether consumers would even notice the difference. To the exasperation of many television engineers, viewers appear quite content to watch fuzzy pictures on tiny portable televisions with aerials made out of wire coathangers. And most viewers are prepared to ignore, or at least tolerate, the deterioration in picture quality when watching a programme which has been recorded at home on a VCR.

Perhaps the biggest factor pointing to the demise of HD-Mac was that it was developed for satellite and cable transmission only. In the UK, for example, only 12 per cent of homes are connected to such services – most viewers receive their programmes through a network of terrestrial transmitters.

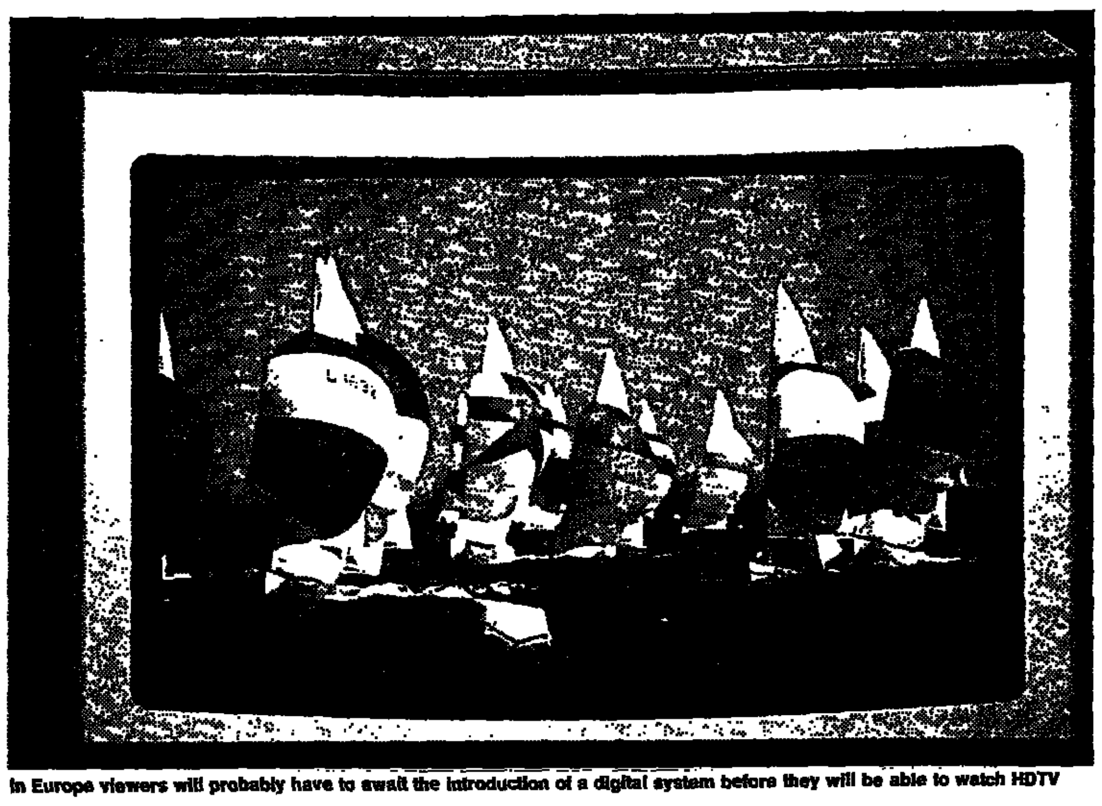
Carse, one of the authors of a recent Nera report on HDTV, compiled in conjunction with Brunel University, says that if the analogue HD-Mac system were implemented in Europe only about 5 per cent of viewers would take up the service.

In Japan, NHK, the national broadcaster, has also opted for analogue HDTV technology which therefore can only be broadcast on satellite and cable. NHK has been broadcasting daily eight-hour doses of programmes in High Vision, the Japanese name for HDTV, which the public can view at more than 450 points in public areas, such as railway stations and public halls.

Although NHK and consumer electronics manufacturers have kept up the publicity in a concerted effort to maintain the momentum – November 11 has even been named national High Vision day since the Japanese system uses 1125 lines – there is growing scepticism about Japan's chosen path.

High Vision has been introduced at a time when grim economic news has largely extinguished consumer interest in expensive, highly sophisticated luxury electronic goods. The cost of a HDTV set in Japan is at least Y1m (£5,300).

To compound the problem, public knowledge of digital television is increasing, and the improved picture-quality of High Vision seems to pall in the face of what digital television could offer – better information services, interaction with computers and, above all, superior picture and sound quality.



In Europe viewers will probably have to await the introduction of a digital system before they will be able to watch HDTV

For the broadcaster, digital signalling brings other advantages. At least four times as many digital channels can be squeezed into a given amount of broadcast capacity as analogue ones. That means that one or two high-definition channels could be transmitted in the capacity used today for a conventional signal. Digital signals also use only one thousandth of the power of their analogue counterparts.

Everyone acknowledges that eventually everybody will go digital – the only question is when. The US government has decided to skip the analogue phase altogether. The Federal Communications Commission has recently completed technical tests of five proposed HDTV systems and a panel of FCC testers is meeting in Washington this week to prepare a preliminary decision on which should become the US standard.

The Advisory Committee is scheduled to bring its recommendation to the full FCC at the end of this month and a final decision should then be reached by the summer. "The FCC intends to double the number of broadcast stations in the US, with the new stations being dedicated to HDTV service," says Jerrold Heller, executive vice president of General Instrument's VideoCipher Division, in San Diego, which has developed DigiCipher, one of the five systems being tested.

The advisory committee could select a single system but seems increasingly likely to recommend a combination of two approaches.

If all goes according to schedule, then the first HDTV sets should be available to consumers by mid-1995 or early 1996, at a price of up to $3,500 (£2,300). Prices are expected to come down quickly with volume manufacturing, but even at $1,000 an HDTV set would be between two to four times as expensive as a television set in the US today.

In Europe it looks increasingly as if viewers will have to wait until the introduction of a digital system before they will be able to view HDTV. Rob van Oostenbrugge, European television development manager at Philips, the company which precipitated the European crisis by announcing it would not be manufacturing HDTV sets this year as previously planned, believes it will be at least 2000 before a digital standard can be adopted in Europe. Others believe digital broadcasts could be introduced via satellite more rapidly.

In the meantime, the demise of the European version of HDTV means European television viewers will continue to face a plethora of standards – Pal, Secam, Pal Plus, D2-Mac.

"It will only become worse not better," complains van Oostenbrugge. This proliferation of standards will fragment the marketplace further and drive up costs to the consumer, he argues.

For European broadcasters and electronics manufacturers, digging among the ashes of HD-Mac, the news is not all gloomy. Numerous developments can be retrieved and exploited.

Although the picture transmission part of the HD-Mac specification is analogue, much of the studio technology and that used in the television sets themselves is digital, and could be developed for use with a digital high-definition system.

What the consumer will see more quickly is the proliferation of wide-screen television sets, an interim step on the way to HDTV. Wide-screen sets have screens with a height to width ratio of 16:9 compared with 4:3 for conventional box-shaped sets. The wide-screen format also brings slightly better picture quality.

European broadcasters are already beginning to broadcast some programmes – notably films – in the wide-screen format and manufacturers are selling the new sets in Scandinavia, France and Germany.

The options for European broadcasters when selecting the digital HDTV standard will be numerous. A Scandinavian group which includes the Swedish Broadcasting Corporation and the Swedish Television Company, for example, has developed a prototype system for digital terrestrial HDTV called HD-Divine (digital video narrow-band emission).

And in the UK, NTL has developed a system for the Independent Television Commission which squeezes digital signals between the existing analogue signals. The spaces are "no go" areas for further analogue signals as these would interfere with those already there.

A third option would be to adopt the same system as the US. The likelihood of this increases if Japanese manufacturers and broadcasters also decide to follow the US in digital broadcasting.

While European manufacturers and broadcasters puzzle over the next move, their Japanese counterparts are forging ahead, gaining invaluable experience on how to best exploit HDTV in programme making and equipment manufacturing. By waiting for a digital standard, manufacturers in the US are in pole position to determine a world standard for digital high-definition broadcasts.

PEOPLE

Beecham's Boyle moves to BUPA

David Boyle, a 28-year veteran of Beecham, is moving to take charge of the international division of BUPA. He becomes one of three managing directors on the board of Britain's largest private healthcare group, all reporting to chief executive Peter Jacobs.

BUPA covers around 854,000 people on the international side, with a turnover in 1991 of £178m. The organisation, which has seen falling income as premiums and costs have shot up in Britain, says that premium increases on the international side, at an average of 15 per cent, have kept pace with the costs of health care and that the number of people covered by the division rose slightly in 1992 compared with the previous year.

His most recent assignment at SmithKline Beecham was a four-year stint as chairman of consumer brands, European division, a position two levels down from the main board of the Anglo-American company. Previously, he had travelled widely in various capacities and had lived in Kuala Lumpur in the mid 1970s as the regional managing director of Beecham products, Far East.

Why is he coming to BUPA? "The main reason," says Boyle, 50, "is that after 28 years it is stimulating and refreshing to make a move." He adds that there are many similarities between the two jobs: "On the insurance side, after all, BUPA is simply providing a consumer product."

BUPA has a significant toehold in the Spanish market via its subsidiary Sanitas, as well as activities in Hong Kong, Malta and Cyprus. Boyle says part of his brief will be to extend the regional coverage, but will not be drawn further.

Boyle replaces David Shaw, who had headed international for two and a half years, and who is retiring after 23 years with BUPA.

Edward Lowndes, 49, has been appointed as the first full-time general secretary of the Society of Practitioners of Insolvency.

SPI, a professional body founded two years ago for the UK's more than 2,000 insolvency practitioners, has been increasingly active as the subject has come under the spotlight during the recession.

It does not license professionals, but has issued a series of ethical guidelines and practice notes, lobbied the government and is developing a network of regional societies.

Lowndes was formerly the director of resources for the paymaster in chief of the army, and recently left on completion of his contract, with the rank of colonel. He is a fellow of the Chartered Institute of Management Accountants, and was once finance officer to the Sultan of Brunei's armed forces.

■ Christopher Heard, md of Mortgage Trust, has been appointed chairman of the ASSOCIATION OF MORTGAGE LENDERS.

Analyst-go-round

■ The move of John Aitken, the City's top-rated banking analyst, from NatWest Securities to UBS Phillips & Drew should mean that the merry-go-round in City banking analysts has probably come to a stop for the moment.

It started a year ago when Nick Collier, Hoare Govett's banking analyst, moved to Morgan Stanley. His move left Hoare vulnerable since it was broker to Lloyds Bank. It then recruited Peter Toeman and Steven Thorn, the City's number two banking team, from UBS Phillips & Drew.

Shortly afterwards, David Poutney, the other member of the UBS team, left along with Terry Smith, who was head of research and a well-known bank-watcher. They have joined Collins Stewart, a small firm of brokers.

Aitken's move to UBS Phillips & Drew – he used to work for P&D some years ago – plugs an obvious gap in its research team. Meanwhile, Aitken's deputy, Mark Eady, will continue to research the banks for NatWest Securities.

■ Adam Murza, a former editor of the Estates Times and veteran City property analyst, has quit stockbroking and joined Guardacre Group, an unquoted property investment company.

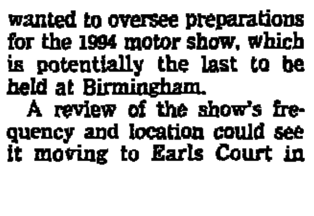
Sir Hal leaves the driving seat

Ex-Tory MP Sir Hal Miller is to leave his job as chief executive of the Society of Motor Manufacturers when his contract expires at the end of March.

The extrovert 64-year-old former member for Bromsgrove and Redditch, brought in by the SMMT to give a higher profile to the manufacturers' body as its first full-time chief executive, has held the post only since November 1991.

He is to take up an as-yet unidentified "senior position" in the textiles industry.

His departure, announced yesterday, came as a surprise to many in the industry, who had expected him to renew his contract for a further year. Sir Hal was believed to have



wanted to oversee preparations for the 1994 motor show, which is potentially the last to be held at Birmingham.

A review of the show's frequency and location could see it moving to Earls Court in London and becoming an annual affair from 1996.

Otherwise, despite the recession in the UK motor industry, he will be leaving with at least one feather in his cap: during his 16 months in office he is widely credited with having played possibly the lead role in persuading the government to abandon the 10 per cent Special Car Tax which had been the industry's *bete noir* for two decades.

There are, as yet, no declared favourites to succeed him, though one candidate must be fellow former MP Roger King, whom Sir Hal drafted in as the SMMT's head of external affairs shortly after his own arrival.

■ Queens Moat Houses, the UK-based hotel group with a large European presence and even bigger ambitions, has appointed two of its continental executives to the main board.

The two new directors are Peter Bertholdt, 47, who is responsible for the group's operations in Germany, Austria and Switzerland and Leonardus van der Meer, 49, who heads the business in the Netherlands and Belgium.

Queens Moat has more hotel rooms outside the UK than in. John Bairstow, the chairman, said last year that the Continent would become even more important to the group. He said that "the UK will progressively become one of our major areas of operation, rather than the mainstay of our business"; the two new board members had played a central role in establishing Queens Moat on the Continent.

■ Ian Fraser, md of Reliance Security Services, is also appointed md of RELIANCE SECURITY GROUP; he replaces Peter Paice who is leaving to pursue other interests.

■ Sean Lance and Neil Maidment have been appointed mds at GLAXO HOLDINGS and on to the main board.

■ Graham McVey, formerly a director of Reed International and chairman and chief executive of the Reed Business Publishing Group, has been appointed chief executive of FINDLAY PUBLICATIONS.

■ Mike Rodwell has been promoted to become md of SCHINDLER Ltd, the UK subsidiary of the Swiss group.

Pop concert

Dylan

What drives Bob Dylan on to tour and tour again remains a profound mystery. The never-ending circuits of the world must fulfil some deep psychological need that a more sedentary form of existence could not. For Dylan to stay in seclusion, dispensing the occasional album with the seigneurial flourish befitting a rock legend of his luminosity obviously would not suit him. Yet there is no evidence that he takes any obvious delight in the contact with his fans; for two hours he gives and the audience takes, while not a word is spoken and smiles are strictly rationed.

It is an uncomfortable prospect; there are too many gruesome reports from around the world of an apparently bored Dylan going through the motions oblivious of surroundings while his band does its best to second-guess the next move, to approach any appearance with positive expectations. Tuesday's concert was the third in Dylan's week-long London run. By his standards it was a relaxed and involved affair; at times he seemed almost perky. It was also, in its way, totally spell-binding.

There were plenty of ragged edges (does this man ever rehearse a song from beginning to end, one wonders?), a sprinkling of miscalculations (usually involving the harmonica), but never a hint that he was anything but fully engaged. His current four-piece band has a country-rock feel, leavening its heavyweight guitars and drums with string bass, slide guitar and mandolin; that sound was laid down at the very start of the set, moving from "Maggie's Farm" through "Every Grain of Sand" and "Tangled Up in Blue" (the resilience of this song in particular tested almost to destruction) on to a fierce, unforgiving "All Along the Watchtower" which gradually built in intensity and concentrated Dylan's efforts ever more. The same kind of momentum was generated at the end of the evening, by which point it was possible to adjudge that Dylan was, really, enjoying himself.

Perhaps that is the point. It is the search for the fix that comes from the occasional great performance which keep him going, so that each concert is an experiment, an attempt to find another means to that end. How else to explain the constant worrying away at the lyrics and the melodic lines? In a treasurable acoustic set halfway through Dylan refurbished something of his most familiar songs from the sixties. There was nothing arbitrary or wilful about it – the tender way in which "Mr Tambourine Man" was recast, shorn of its yearning vocal line and delivered as an introverted chant complete with haunted harmonica coda, or "Don't Think Twice" had its melody completely recast seemed anything but arbitrary. For the fans hearing those songs now may be a precious exercise in nostalgia; for Dylan still, extraordinarily, they carry the potential for renewal and refinement.

Andrew Clements

At the Hammersmith Apollo until Saturday

Cinema/Nigel Andrews

Woody the wizard

Woody Allen's deliciously strange *Shadows And Fog* is about the Known and the Unknowable. Part tragedy, part comedy; part human puppet-show, part charabanc tour through the dark night of the soul; it is a fantasy prelude in film noir tones to the later *Husbands And Wives*.

In America many hated it: mainly because there are so many plots bubbling at once that it is like being in a mad wizard's kitchen. We have Allen himself as Mr Kleinman, the bumbling coward roped into a posse hunting a mass killer in a European town. We have circus sword-swallower Mia Farrow, flouncing out on husband John Malkovich after he has slept with trapeze artist Madonna. We have the star-packed brothel (Kathy Bates, Lily Tomlin, Jodie Foster) where Farrow spends a fugitive night. We have Farrow-smitten student John Cusack; mad doctor Donald Pleasence; neighbour Kate Nelligan...

Whoah. Enough, you cry. How many films are being reviewed here under one title? But the multi-story skittishness of *Shadows And Fog* is its charm. If *Husbands And Wives* gave us the first great film from a new, free-associating Woody – conventional style and structure splintering under the power of improvised emotion – *Shadows And Fog* is like a gentler dressage for that drama of deconstruction.

Across the dinky squares, through the picture-book fog and darkness, lope the funny-mysterious Lilliputians. In style the film is a toy-theatre spoof on German Expressionism, doing for Lang and Murnau what *Love And Death* did for Dostoevsky and Tolstoy. But *Shadows And Fog* is also about good and evil, destiny and predestination. Herr Kleinman – Allen with specs and nervous soliloquies – knows he has been "chosen" but cannot figure out what for. Farrow's runaway circus girl leaps into her fated midnight and finds a fated self-fulfilment. (She links up with Allen in what may be their last and most touching boy-meets-girl vignette.) And Doc Pleasence, pondering a morgueful of corpses, gazes straight and steely-eyed into the heart of life, death and the beyond.

Though Carlo Di Palma's black-and-white photography mimics a gloom-laden cine-Europe of 60 years ago, the film is also free-spirited enough to throw in some prime Woody repartee. (Farrow: "I slept with one man for money. Does that make me a whore?" Allen: "Only by the dictionary definition.") And a classically deft scene of romantic misunderstanding between Cusack and Malkovich shows that the director does not save all the good laughs for himself.

SHADOWS AND FOG (15)
Woody Allen

OLIVIER OLIVIER (15)
Agnieszka Holland

THE LIVING END (18)
Gregg Araki

STAY TUNED (PG)
Peter Hyams

But *Shadows And Fog* is best when comedy balances on a knife-edge of the macabre; when the inquisitive despair that Allen over-formalised in his Chekhov-Bergman pieces (*Interiors*, *September*) is given the true texture of filmic malaise – human fear and defiance glittering in the shadows of the unknowable.

★

When a film comes to a sudden narrative pause and flashes up the title "Paris, six years later," we fear the worst. Either the characters who were children will have grown up to become unrecognisable adults. Or those who were grown-ups will be the same actors with a wisp of grey hair and a look of telegraphic disenchantment.

But Agnieszka Holland's powerfully imaginative *Olivier Olivier* skips over every lurking trap. In part one nine-year-old Olivier disappears from his rural home – never seen again after leaving to take food to Granny (yes, shades of Red Riding Hood) – and parents Francois Cluzet and Brigitte Rouan are split apart by sobs and recriminations. In part two 15-year-old Olivier is tracked down by Paris cop Jean-Francois Stevenin and restored to his ecstatic parents and startled sister.

But is it Olivier? The questionable resemblance of new actor to old has the audience clucking scornful scepticism: only to be out-clucked by the movie itself as it sows doubts in the midst of delight and then delivers a knock-out denouement.

Taken from a newspaper item, the story grows its own reality like a cutting newly planted in rich soil. One-time co-screenwriter with Wajda (*Man Of Iron*, *Danton*), Agnieszka Holland has learned the art of more-comes-from-less. The film never stops to "explain" its characters. The stormy father, the besotted mother; the enigmatic sister with her sacrificial rites and mystic powers (from self-inflicted cigarette burns to telekinesis); the teenage Olivier's moody inconsistency of recall. The characters are "givens" who create their own human weather system, as alien and yet as recognisable as the sirocco. And domestic trivia, from a squalling cat to the musical beds of sleepless children climbing in with sighing adults, become the meteorology of changing emotion.

★

Gregg Araki's *The Living End* is an AIDS-era road movie and as dotty as that sounds. Two HIV-positive Californians, bookish Jon and hellraising Luke, throw themselves into each other's arms and then onto the open road in this film that resembles a cross between a gay *Badlands* and a *Wild At Heart* for sexual militants. Casual murders; lots of outlaw lyricism; and a sense of two people narcissistically narrating their own lives as they glide attitudinisingly towards death.

Mia Farrow: a runaway circus sword swallower in Woody Allen's 'Shadows and Fog'

Jon (Craig Gilmore) is a film critic writing a thesis on the "Death of Cinema". (No comment.) Luke is a drama queen with bronzed pectorals who wants to blow his brains out during a final dazzling orgasm. When not giving screen time to these tinpot tragic heroes, debut director Araki branches out into caricatured women. These range from two loudmouthed lesbians scripted for penis-envy dialogue to a Bette Davis lookalike with pillbox hat and kitchen knife. This last floats into an early love scene between Luke and a pick-up, delivers the line "This isn't the Seventies any more, you know" and stabs the pick-up to death.

Reality? Fantasy? Comedy? Horror? Who knows. Who, alas, cares. Mark this down as the first, worst film of a director who may improve when he empties his system of gay special pleading and camp melodramatics.

Stay Tuned is, if possible, worse. Married couple John Ritter and Pam Dawber, Faustians of the hi-fi age, have adventures in a nightmare TV-land run by Satan figure Jeffrey Jones. Sucked into this "other world" via a giant satellite dish, they become actors in spoof shows like *The Golden Ghouls*, *Meet The Mansons* and *Northern Overexposure*.

The cod titles are the funniest thing. Elsewhere this is fast, frenetic, fun-free tripe: scripted by ex-advertising duo Tom Parker and Jim Jenewein and directed by Peter Hyams.

To conjure the true spirit of comedy this week requires necromancy. The late Buster Keaton, greatest of silent comics, unlocks his stone-faced splendour in a season at the Barbican. Sherlock Junior is joined by two classic shorts, *The Love Nest* and *The Playhouse*, in a programme no connoisseur of mute mirth should miss. (But be warned: the odd sound effect has been added to *Sherlock*).

The opposite of a comedian who never speaks is a film-maker whose characters never shut up. A sad farewell to Joseph L. Mankiewicz, who died last Friday. He spent his life wiring great film stars for sound, plugging them in and then standing back to watch the mixture of noise, sparks and explosions. He twinned Brando and Gielgud in *Julius Caesar*. He set Olivier and Caine at each other's larynxes in *Sleuth*. And in *All About Eve*, starring Bette Davis and a famous line about bumpy nights, he made the most glorious impostor among movies. It pretends to be a film; it is really a stage play with a camera breathing down its neck. But who objects? No movie ever matched its glittering, sideswiping dialogue or its showman's wisdom about show business.

Schubert on the South Bank

The South Bank Schubert series, now well underway, is a lop-sided one, with all the interesting events happening at the Queen Elizabeth Hall. This is where we are hearing the chamber music written for intimate evenings among the composer's circle of friends, although it cannot have been the intention of the organisers that their audiences should be the same kind of size.

This part of the series lasts until March. There are string quartets, piano sonatas and duets, some songs. Best of all, on Tuesday, was the only truly novel item – a selection of Schubert's partsongs, which proved so entertaining that some in the audience may have gone away to look out more. There are plenty of them, too: three full pages listed in *Grove*, no less. Can they all be so imaginatively varied?

Many of these pieces were written for specific occasions, which will explain why Schubert tried his hand at some unusual combinations of voices and instruments. One father, wanting to celebrate the convalescence of his dance-mad daughter, commissioned the lively "Der Tanz". Several of the more ambitious songs, including "Nachtgesang im Walde", a Lied that has outgrown its origins, have a quartet of horns in support.

In among these trifles, however, are at least a few minor masterpieces. It is difficult to resist Schubert's setting of the 23rd Psalm ("The Lord is my Shepherd") and especially when its wide-eyed innocence is as beautifully caught as it was here by the ladies of the BBC Singers accompanied by Imogen Cooper. Then again, the "Gesang der Geister über den Wassern", for male octet with a quintet of lower strings, looks far ahead of its time to becoming a "serious song" in the Brahms manner, mellow, pensive, richly textured.

In every item the BBC Singers were on expert form, holding in check the individual voices which wobbled away during the recent Janáček weekend. Sian Edwards conducted, a relaxing duty, one imagines, before ENO responsibilities claim her attention. The partsongs were preceded by the Chilingirian String Quartet in the A Minor Quartet, undemonstrative and affectionate Schubert playing, which captured the Ländler spirit nicely. Unfortunately the Borodins' recording was fresh in my mind and this was not its equal.

Richard Fairman

Schubert series continues at the Queen Elizabeth Hall until 2 March (Box Office 071-928 8800)

Theatre/Malcolm Rutherford

Richard III

The story goes that in previous centuries actors playing Richard III would shift their deformity from left to right from night to night. This reduced the risk of back problems such as have afflicted Simon Russell Beale who had to withdrawfrom the RSC's production at the Donmar Warehouse because of a slipped disk.

Beale will return to the part at Stratford next month. Meanwhile Richard has been taken over by Ciaran Hinds, an actor in an altogether different mould. Beale is small and agile, almost double-jointed. Hinds is physically large and, in this part at least, deliberately clumsy.

Visitors to the Warehouse will have recently seen Hinds playing Samuel Byck in Stephen Sondheim's *Assassins*, and *Richard III* is an appropriate play to follow, for what is it about but a series of assassinations? *Richard* like *Assassins* is directed by Sam Mendes and some of the techniques are becoming familiar: for instance, the use of the separate cubicles at the back of the stage.

The production was seen at the Other Place in Stratford last summer. It is not the best that Mendes has done. The costumes, located loosely somewhere early in the 20th century, are dull. There is not enough to differentiate the characters. Too much of the play comes across as a pageant without spontaneity. Possibly one is over-influenced by the Northern Broadsides production, seen at the Riverside Studios in December, and has come to expect *Richard III* to be fun. Mendes's production is a little too like a run-up to *Macbeth* without the poetry and without the depth. He treats it too much as history and not enough as melodrama.

Nevertheless, there are some excellent scenes and one sub-theme in particular is played for all it is worth. This is the relationship between Richard and Buckingham which becomes central to the plot. Stephen Boxer's Buckingham is not just another toad or accessory to the crimes. He is the man who, like Lady Macbeth with her husband, urges Richard on. Later, again like Lady Macbeth, he quails and Richard knows when to drop him. In the early stages of this production, Buckingham is almost the best part in the play: Boxer is outstanding.

Then there is the set-piece towards the end when the ghosts of his victims come to visit Richard in his dream on the eve of battle. Mendes directs this as if it takes place in a subdued tavern in Cheapside. Richard sits slumped over his wine at one end of the table. At the other end is Richmond, the future Henry VII. The ghosts come in together and drink round the table to Richmond's victory. There is Mendes at his best. He is less happy in handling the women in general who, most of the time, simply record and prophecy doom. He does not catch their fickleness in the way they can succumb to Richard.

On the small Donmar stage, Hinds suffers for his size. His hump looks like a pillow, even a kitbag, strapped across his shoulders. He has sleeked back hair and an off-putting long brown coat. Yet when he plays Richard as the religious devotee, pretending to be reluctant to accept the crown, he seems a much more versatile actor. Still, playing the role as a bulking straight murderer is a perfectly legitimate interpretation. I enjoyed it.

Donmar Warehouse (071) 867 1150. The production runs until February 20, then moves to Tokyo and Rotterdam, before going home to Stratford

Recital/David Murray

Holzmair & Tan

At the Wigmore Hall on Monday, the baritone Wolfgang Holzmair sang two dozen Romantic songs, accompanied by Melvyn Tan at a fortepiano. Their umbrella-title was "Zwielicht" (twilight), but that placed no serious limits on the range of the programme: any song seemed to qualify so long as it mentioned the moon, the stars or both. That left room for nocturnal delights and horrors, storms and dewy calm, knights, hunters and lovers; and the whole recital gave unqualified pleasure.

In a certain style of *Lieder* singing, Holzmair is a very model. The voice has a marked personal character, and he wields it with communicative flair. He indulges no great variety of vocal colour (and his tone is thin in the lowest register), though he likes to float soft, high-lying phrases on a cultivated head-voice. Nor does he underline or italicise key words, unlike some senior platform stars; and yet verbal sense is always foremost – every part of every song has something to *say*, whether vehement or sweetly reasonable.

For this kind of delivery, Tan's fortepiano (quite a large one) made the perfect backing. Not only because its light, brittle tone was guaranteed never to cover the voice, nor because it resembled the instruments Mendelssohn, Schubert and Schumann knew far better than any modern grand; but also because Tan allows himself a degree of expressive licence, in impeccable period style, which is virtually unheard of among modern accompanists.

Rhythms can be delicately bent (his treatment of the repeated chords on Schumann's "Mondnacht" was marvellous), inner voices enhanced by spontaneous rubato. None of that was a distraction from the singing, since the fortepiano's scale of sound is so unthreatening; but it lent life and pretty surprises to all the music, complementing Holzmair's direct, seemingly artless manner – which by itself might have begun to seem a bit over-plain.

Tan's exuberant mannerisms, in the purely visual sense, were another matter (had I been Holzmair, whose own bearing is modest and decorous, I should have been tempted to swat him); but if that kind of carrying on is what he needs to achieve such fresh results, one must not complain. Predictably, Mendelssohn's piano-parts sounded delectable on the instrument. Much less predictably, its limited capacity for sustaining sound – for Schumann, the usual pedalled richness *à la* Steinway was simply unavailable – inspired Tan to find all kinds of compensation in phrasing and highlights. He and Holzmair made a curious partnership, but a most successful and satisfying one.

INTERNATIONAL ARTS GUIDE

■ ATHENS

Concert Hall Tonight: Melos Quartet plays works by Haydn and Mozart.
Tomorrow: Athens State Orchestra opens Scandanavian music cycle with a programme of works by Lars-Erik Larsson, Sibelius and Nielsen.
Sat and Sun: Claudio Scimone conducts I Solisti Veneti in works by Vivaldi and Bach.
Mon: Ralph Towner jazz improvisations.
Tues: Dmitri Galani.
Next Wed and *Thurs:* Leonidas Kavakos plays solo violin music by Bach (722 5511)

■ CLEVELAND

Severance Hall Tonight, tomorrow, Sat. Franz Welser-Möst conducts Cleveland Orchestra in works by Schubert, Bruch and Martinu, with violin soloist Kyung Wha Chung. Next week: Oliver Knussen conducts music by Knussen and Elliott Carter. Feb 25-March 6: Pierre Boulez (231 1111)

■ BOLOGNA

Teatro Communale Mon: Tatiana Grindenko directs Moscow Academy of Music in works by Telemann, Biber and Vivaldi. Tues (in Palazzo dei Congressi): Marcel Marceau.
Feb 20: first night of Elijah Moshinsky's production of Simon Boccanegra (529999)

■ COPENHAGEN

Royal Theatre Tonight: first night of new production of three Balanchine choreographies (also Sat, next Wed and Fri). Tomorrow: Lohengrin. Sun afternoon: Le nozze di Figaro. Tues: *Ariadne auf Naxos* (3314 1002)

■ GENOA

Teatro Carlo Felice Tonight, Sat and Sun afternoon: Fabio Luisi conducts Lamberto Puggelli's production of Rigoletto with Paolo Gavanelli and Juan Carlos Morales alternating in title role. Next production: Roberto Devereux, opening Feb 28 (589329)

■ THE HAGUE

Danstheater Tonight, tomorrow, Sat: Nederlands Dans Theater mixed bill, including new work by Paolo Ribeiro. Mon: Opera Forum production of Verdi's Stiffelio. Feb 25, 26, 27: Jiri Kylian's Kaguyahime (360 4930)
Dr Anton Philipszaal Tonight: Schoenberg Ensemble and Chamber Chorus in works by Janacek (360 9810)

■ LONDON

THEATRE

● The Invisible Man: the famous H G Wells science fiction story comes to the stage in this production by Theatre Royal, Stratford East, complete with breathtaking magical illusions. Now in previews, Press night next Tues (Vaudeville 071-836 9987)

● Murder Is Easy: Nigel Davenport stars in Clive Exton's play based on the novel by Agatha Christie. Previews start next Wed, Press night Feb 23 (Duke of York's 071-836 5122)

● No Man's Land: Harold Pinter and Paul Eddington in Pinter's 1975 play, directed by David Leveaux (Comedy 071-867 1045)

● Hamlet: Kenneth Branagh triumphant in this uncut RSC version directed by Adrian Noble. Ends March 11 (Barbican 071-638 8891)

● The Last Yankee: Arthur Miller's new play about two couples meeting in a psychiatric hospital, with Peter Davison and Zoe Wanamaker (Young Vic 071-928 6363)

● Cyrano de Bergerac: Robert Lindsay is the big-nosed soldier-poet in this adaptation by John Wells, directed by Elijah Moshinsky (Haymarket 071-930 8800)

● For ticket information about West End shows, phone Theatreline from anywhere in UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

DANCE/OPERA

Covent Garden Tonight's Royal Ballet performance includes the world premiere of David Bintley's Tombeaux, alongside Fokine's Firebird and Forsythe's In The Middle (repeated next Wed). Sat: Sleeping Beauty. Thomas Hampson, Gabriel Bacquier and Jennifer Larmore head the cast in the Royal Opera's revival of Il barbiere di Siviglia tomorrow, next Tues and Fri. Edward Downes conducts Stiffelio next Mon and Thurs, with Giorgio Lamberti in title role. Feb 20: revival of Turandot with Gwyneth Jones (071-240 1066)
Coliseum ENO repertory consists of Carmen with Sally Burgess (tonight, Sat, next Wed and Sat) and Jonathan Miller's production of Rigoletto (tomorrow, next Tues and Thurs). Feb 19: new production of Don Pasquale (071-836 3161)
Sadler's Wells Final performances of Birmingham Royal Ballet season tonight, tomorrow and Sat, with David Bintley's 1986 story ballet The Snow Queen (071-278 8916)
Royal Albert Hall Final performances of Bolshoy Ballet season tonight, tomorrow, Sat and Sun (071-589 8212)

CONCERTS

South Bank Centre Tonight: Klaus Tennstedt conducts Haydn's Creation, with Felicity Lott. Tomorrow: Alexander Lazarev conducts BBCSO and Chorus, in works by Dutilleux, Ravel and Debussy. Tomorrow in QE Hall: Monteverdi programme with Catherine Bott and New London Consort. Sat: Royal Choral Society performance of Carmina Burana. Sun afternoon in QE Hall: Emanuel Ax piano recital. Mon: Montserrat Caballé song recital. Tues and Wed: Zubin Mehta conducts LPO in works by Berlioz and Bartok, with piano soloist Andras Schiff. Tues in QE Hall: Maxwell Davies conducts Maxwell Davies. Wed: London Mozart Players (071-928 8800)
Barbican Tonight: Kent Nagano conducts LSO in works by Beethoven and Bartok, with piano soloist Emanuel Ax. Tomorrow: Vanya Milanova plays Bruch's Violin Concerto. Sat: Igor Oistrakh. Mon: London Choral Society presents works by Bernstein and Barber. Tues: Charles Mackerras conducts Handel, with soprano soloist Yvonne Kenny. Wed and Thurs: Ute Lemper sings Weill. Feb 21: Labeque Sisters. Feb 25-March 21: Britten Festival (071-638 8891)

■ PRAGUE

CONCERTS

Tonight and tomorrow at **Dvorak Hall,** Libor Pesek conducts Czech Philharmonic Orchestra in works by Debussy, Mahler and Berlioz, with mezzo soloist Linda Finnie. Next Thurs and Fri: Vaclav Neumann conducts Mahler's Second Symphony (286 0111). Sun at **Smetana Hall:** Linha Singers (232 2501)

OPERA

National Theatre has Katya Kabanova tonight, Dalibor tomorrow, Don Carlo on Sat, The Secret on Sun afternoon and Lucia di Lammermoor on Sun evening, with no further performances till Feb 20 (205364). Estates Theatre has Le nozze di Figaro on Feb 19 and 25 (228658). **Prague State Opera** has Les Contes d'Hoffmann tomorrow and Tues, Rienzi on Sat, Tosca on Sun and Il trovatore on Wed. A new production of Un ballo in maschera opens on Feb 21 (265353)

■ STOCKHOLM

Royal Opera Tonight, Mon and Wed: Cav and Pag. Tomorrow: Arabella. Sat: first night of new ballet production with choreographies by Kylian, Bejart and Alvin Ailey, repeated next Tues, Thurs and Fri (248240)
Berwaldhallen Tomorrow: Niklas Willen conducts Swedish Radio Symphony Orchestra in works by Webern, Aulin and Beethoven, with violin soloist Ola Rudner (784 1800)

■ UTRECHT

Vredenburg Sat: Gunther Schuller and Netherlands Radio Symphony Orchestra (Copland, Ives, Schuller and Gershwin). Sun: Marc Minkowski conducts Amsterdam Bach Soloists. Sun evening: Hartmut Haenchen and Netherlands Philharmonic Orchestra. Mon and Tues: Bob Dylan. Next Wed: Gerry Rafferty. Next Thurs: Edo de Waart conducts Mahler. Feb 20: Royal Concertgebouw Orchestra. Feb 21: Svetlanov conducts Hague Philharmonic (314544)

European Cable and Satellite Business TV

(all times are Central European Time)

MONDAY TO THURSDAY

Super Channel: European Business Today 0700; 22.30

MONDAY
Super Channel: West of Moscow 1200.
Super Channel: Financial Times Reports 0630

THURSDAY
Sky News: Financial Times Reports 2030; 0130

FRIDAY
Super Channel: European Business Today 0700; 1200; 2230
Sky News: Financial Times Reports 0530

SATURDAY
Super Channel: Financial Times Reports 0830
Sky News: West of Moscow 1130; 2230

SUNDAY
Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Monopoly seeks platonic relationship

BOOK REVIEW

How does one find individuals who can be trusted to regulate important parts of the economy? Such individuals have discretionary powers over many basic goods and services, so only the select and most enlightened can do the job.

This question – which deliberately echos Plato's description of the qualities required for a perfect ruler – is raised by Sir Christopher Foster in his book on economic regulation. Like Plato, he is torn between acknowledging that regulation is sometimes necessary, and realising that power has a tendency to corrupt. Unlike Plato, his field of interest is not society as a whole, but those parts of the economy that gravitate towards monopoly if left to their own devices.

Sir Christopher, who has been an economics professor, civil servant and businessman and is currently advising the UK government on the privatisation of British Rail, rejects the idea that governments can pursue a policy of benign neglect once they have privatised "natural monopoly" industries such as telecommunications, gas, railways, airports and electricity. But he is exercised by the fact that any regulatory system is vulnerable to being subverted.

Such subversion – known in the jargon as regulatory capture – can occur if the regulator is turned into a tool of either the industry concerned or politicians. The book is an extended treatise on how regulatory systems have been consistently captured, and how the only antidote is a strong system of regulation independent from vested interests.

This prescription may seem as idealistic as many of Plato's. But Sir Christopher argues that, through a mixture of luck and foresight, the system introduced in Britain to accompany the privatisation of utilities is a good approximation to what is required. It is based on a series of independent regulatory bodies – Oftel, Ofgas, Ofwat, Offer – headed by strong individuals with considerable discretionary powers.

PRIVATISATION, PUBLIC OWNERSHIP AND THE REGULATION OF NATURAL MONOPOLY
By C D Foster
Blackwell, £40, 438 pages

But the book is not an apologia for the British status quo. Sir Christopher is concerned that regulators are still vulnerable to pressure from both politicians and industry – a topical concern, given Sir James McKinnon's decision this week to step down early as director-general of gas regulator Ofgas, and the recent drubbing politicians have given Mr Stephen Littlechild, director-general of electricity regulator Offer, for failing to protect miners' jobs.

The book is also a timely contribution to the debate on how regulatory systems should be designed, as yet more countries privatise utilities and the UK embarks on its next privatisation wave with BR and maybe the Post Office. Though not an easy read and sometimes repetitive, it is rich in insights. Particularly appealing is its broad historical sweep, which traces the development of economic regulation in Britain and the US.

The chapter on Gladstone's attempt to regulate railways in the 1840s shows how the complex economic issues manifest today have been present from the start. It also reveals how the railway barons were able to mobilise immense lobbying power – at one point, 132 MPs were railway directors – to emasculate his bill.

Further chapters explain how this early failure to control railway monopolies led to such a public outcry, albeit after a time lag of nearly half a century, that excessive controls were imposed. These, in turn, nearly bankrupted the industry and paved the way for nationalisation.

The US experience with economic regulation, though less traumatic, does not provide a model because it is too legalistic, according to Sir Christopher. It is not simply that it is costly. The court-like procedures also enable a monopoly to use its greater resources and control of information to tie its regulator in knots.

These failures lead Sir Christopher to defend the current British model and propose various measures to shore up the regulators' independence.

Some concern the vital but neglected subject of information. Monopolies not only dominate their industries. They also control the detailed financial information about how their industries work, putting them in a privileged position compared with regulators, potential rivals and consumers. Though regulators can ask for some information, the book argues that monopolies are adept at playing games: dragging their heels, or flooding regulators with irrelevant data.

Sir Christopher advocates stronger powers for regulators to extract information and then publish it. This is partly to help potential rivals enter a monopolised industry and partly because he favours "sunshine" regulation – exposing monopoly abuses to the glare of publicity.

Sunshine regulation was pioneered by Charles Francis Adams, a 19th century Boston patrician, who waged a successful campaign against railway barons through pamphleteering and journalism. Mr Alfred Kahn, taking a similar approach, told his staff at the US Civil Aeronautics Board: "If you can't explain what you are doing to people in simple English, you are probably doing something wrong."

The new breed of British regulator has developed its own version of sunshine regulation. Sir James McKinnon, in particular, has been a master of the strongly worded statement to the press – a practice Sir Christopher applauds, since it helps regulators build up public support, which in turn should act as a bulwark against interference with their independence.

Much of Sir Christopher's argument for independent regulators is persuasive. But it ultimately rests – as did Plato's – on enlightened individuals filling the top posts. For, as Sir Christopher acknowledges, if bad regulators were to be in charge, it might after all be better if they were shackled by a cage of law.

Hugo Dixon

ECONOMIC VIEWPOINT

Time for England to buck up

By Samuel Brittan

The pessimism and self-hate about the UK economy has gone too far. Listening to British businessmen denigrating British business performance induces a desire to see what statistics of comparative performance really show.

As I have often remarked, they show that the rapid growth of other European countries and Japan is mainly a catching-up phenomenon; and that in the 1980s relative UK performance started to improve. They suggest that it would be rash to interpret the prolonged recession as a sign of deep structural malaise.

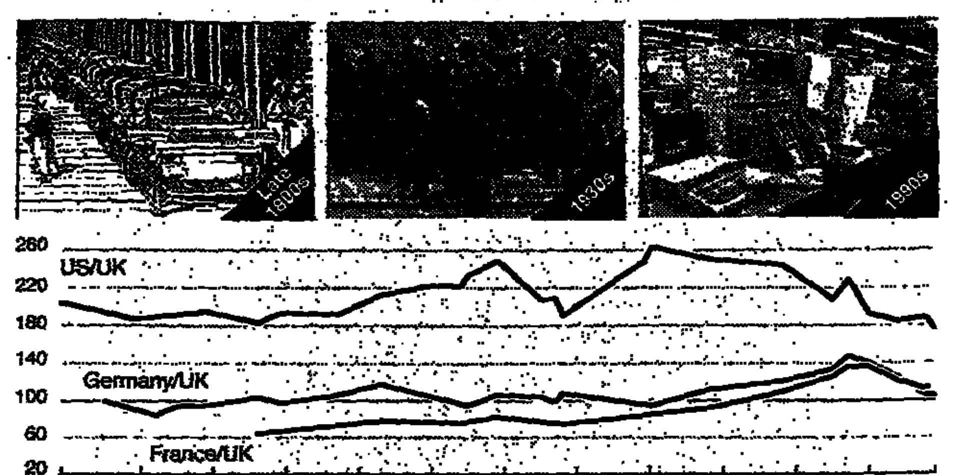
Of course statistics can and often do lie. But it is so difficult to assess anything as diverse as a country's total business and industrial performance by personal impressions that the available numbers should be used as at least a supplement.

The most intensive scrutiny of the available evidence so far comes from a study by the distinguished economic historian, Professor Nick Crafts, in a paper for the Institute of Economic Affairs entitled Can De-Industrialisation Seriously Damage Your Wealth?. Because the paper neither echoes the gloomy talk about a collapsing industrial base, nor the once-more fashionable remedies of state aid for investment, it has been largely ignored. But it has far more to tell us than we can expect from the forthcoming report of the crystal-gazers assembled by the chancellor.

In fact, Crafts has a better chance of convincing those on the fence than most other commentators. His paper is a survey of almost all the available quantitative research, not only his own. He eschews ideology and indeed speculative argument. So far is he from being a Thatcherite that he appeared as a witness for Peter Jay in a television debate *against* the proposition that there had been an economic miracle in the 1980s. Nor has he previously been been an IEA writer.

My only quarrel with Crafts is his use of the awful Harvard system in which bracketed references such as (Joachim and Heifetz, 1985) clutter up the text. They will not convince anyone who does not already believe the author's thesis and are out of place in all but highly specialised original studies. They should be replaced by plain English statements of the trend of recent scholarship; references can be given in the bibliography.

Manufacturing output per person employed (UK=100)



Source: Can De-Industrialisation Seriously Damage Your Wealth (IEA)

In any case the substantive conclusion is that the gap in GDP per person employed between the UK and European competitors is much less than the gloom talk suggests. A table in Economic Viewpoint on November 19 suggested that there is no gap compared with Japan either.

Admittedly, UK performance has lagged more in manufacturing than in the rest of the economy. The big gap here is still with the US. American manufacturing output per head was twice as high as Britain's in 1870, when Mr Gladstone was presiding over his first effective administration. The proportional gap was, at a maximum, around 1950 and has since been declining.

The manufacturing gap with Continental Europe has never been so large as with America. German manufacturing output per head was indeed nearly 50 per cent above the UK's in 1977. But by 1989 the differential had fallen to 5 per cent. The gap with Japan (not shown in the chart) is similar.

GDP per person employed (UK=100)*

	US/UK	Germany/UK	France/UK
1870	95.1	48.8	53.0
1913	127.9	64.1	61.7
1929	154.0	64.3	72.7
1960	167.5	90.2	88.6
1973	151.6	104.7	110.2
1987	128.9	105.6	116.4

Comparisons for each year with the UK, changes in position between years reflect relative growth not absolute levels of performance. Source: Prof Crafts

Crafts also nails the myth of "de-industrialisation". Numbers employed in UK industry have fallen more than in most other countries, but mainly because the starting point was so high. By the late 1980s, the UK had much the same proportion of the labour force in industry as several other countries with a similar level of income per head – for example, France and the Netherlands. It is Germany and Japan that are the odd countries out with their high proportion employed in manufacturing.

Most interesting of all is his refutation of the supposed "balance of payments constraint on growth". He notes, without becoming bogged down in them, the arguments about the validity of the "trade gap"estimates, or about how much of the gap is the result of inward investment, particularly by Japanese companies.

Crafts is prepared to accept that although the share of British exports in world trade has more or less stabilised, the UK has an exceptionally high tendency to devote increases in the national income to imports. This can be offset by allowing the real exchange rate to depreciate by about 1½ per cent a year.

I should spell out that this need not mean a depreciation of the nominal exchange rate – that is the rate quoted in the newspapers – by this amount. If inflation by Britain's trading partners is, say, 3 per cent a year, then a lower UK inflation rate of 1½ per cent in traded goods and services will suffice. On the other hand a larger nominal depreciation will fail to do the trick if it is offset by inflation. Crafts concedes too much to the Europhobic view that such adjustments would not be possible in the exchange rate mechanism, mainly because he expects German inflation to be zero, which would indeed be good news to the Bundesbank.

A falling real exchange rate is not a godsend, but perhaps a necessary evil. It is normally accompanied by a deterioration in the terms of trade – that is, UK citizens effectively receive less in imports for a given level of exports. Crafts suggests that the effect is to reduce British living standards by 0.4 per cent a year. This is not a trivial offset to an underlying growth rate of 2 or 3 per cent, but hardly justifies the prevailing gloom and doom.

Crafts devotes much attention to supposedly new theories which suggest that there are large returns to investments, which are not captured by the companies that make them, and that therefore government subsidy is justified. He accepts the theoretical possibility, but cites much experience showing that real world subsidies tend to retard rather than promote growth. An example is the advanced gas-cooled reactor programme which is said to have produced nothing of any commercial value over 30 years.

Moreover, John Smith please note. "German policies to subsidise high technology sectors like aircraft, nuclear energy and telecommunications have been no more successful than British ones."

Nor are these failures accidents. Politicians' incentives to win votes encourage excessive subsidisation of producer interests and this cannot be effectively monitored or deterred by the mass of voters on whom the costs fall.

Crafts is very critical of some aspects of British business culture. The vulnerability to hostile takeover, unique in Europe, causes British companies to maintain dividends and forego investment opportunities in development and training. He also criticises the absence of long-term consensual relationships between UK workers and their companies.

But on balance he believes the reforms of the 1980s improved matters. The main future emphasis should not be on subsidy for manufacturing or high technology but the pursuit of multilateral international agreements to reduce the extent of government support for industry and to promote freer trade. And if multilateral agreements are elusive, I would go for unilateral measures in this direction.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Housing policy a danger to standards

From Mr Charles A Wood.

Sir, Your editorial ("Housing policy", February 5) makes absolute sense.

One of the great problems facing housing associations has been arbitrary change in government regulation. It is happening again: in effect part of the financial regime set up in 1989 is being dumped. In that regime housing association grant has been calculated from a formula which included cost, interest rates and affordability to tenants.

What is happening now is that (presumably) the Treasury is ordering a cut in grant to 55 per cent in two years, which will drive rents well beyond the reach of the low paid.

Certain MPs, particularly Sir Paul Beresford, have suggested that private property developers should be allowed to compete with housing associations for government grant. In my view this will lead to low construction standards and uncertain standards of housing management.

Surely the lesson of the 1960s policy errors is that the drive to lower costs is often misconceived. Housing associations are not perfect; nor are they mad bureaucracies. It cannot be in the national interest to destroy diversity and local accountability.

Charles A Wood,
chairman,
New Islington and Hackney Housing Association,
122 Kingsland High Street,
London E8 2PR

Classroom peace threatened by dogma and bureaucracy

From Mr Peter Smith.

Sir, Your leading article, "Classroom peace" (February 9), makes eminent commonsense. Teachers, for totally professional reasons and not because they are so-called "trendy lefties" intent on a fight with the government, sincerely believe that students will suffer if the government this summer presses ahead with its publication of English tests for 14-year-olds.

My union agrees with your conclusion, that the way out is for the government to concede with good grace a year's delay in publishing the test results. Sadly Mr John Patten, the education secretary, appears unwilling to listen. Instead he appears to be looking for confrontation through a crude, old-fashioned exercise of teacher-bashing.

He would receive praise not derision from teachers, and indeed parents, if he put the interest of pupils before a dogmatic desire to discredit a very caring profession.

Peter Smith,
general secretary,
Association of Teachers and Lecturers,
7 Northumberland Street,
London WC2N 5DA

From Mr Nigel de Gruchy.

Sir, I have to challenge your assertion in your leader that the action being contemplated by the NASUWT union and perhaps other organisations is a threat to "classroom peace".

Nothing could be further from the truth. While the main concern of NASUWT is the mountainous increase in workload, a successful boycott of the government's over-prescriptive and distorting arrangements for national curriculum testing and assessment would have beneficial effects for the children.

The beneficial side-effect would be that teaching would be restored to the classroom. The disruptive, distorting and bureaucratic nightmare being imposed on pupils and teachers by the government's reforms would recede.

You also made the huge assumption that the government's version of testing would help to raise standards. I believe the overwhelming majority of teachers do not share your view.

Nigel de Gruchy,
general secretary,
NASUWT,
5 King Street,
Covent Garden,
London WC2E 8HN

Revenue staff cuts will carry a cost

From Mr Clive Brooke.

Sir, Andrew Jack's article, "A taxman assesses years of change" (February 8), gives a somewhat misleading impression that Inland Revenue staffing has remained much the same during the 1980s. The facts are quite different.

In 1979 there were 86,000 Inland Revenue employees. That figure is now down to 68,000, with 18,000 having been shed. And the government and the department have plans – as yet unpublished – significantly to reduce staff numbers further during the 1990s by shifting taxation administration on to taxpayers and the private sector through moving towards a US-style self-assessment system.

As the Chartered Association of Certified Accountants warns, this will carry a cost – not simply in money terms, but in a changed relationship between the Revenue and the taxpayer.

Your readers should know that it is rumoured that last year, for the first time, the Revenue wrote off more than £1bn of unpaid taxes. While part of that increased write-off without a doubt is attributable to the recession, much in our view is due to the government's unwillingness to employ the number of tax collectors required.

It is a strange world in which, while the government has to borrow ever more and contemplate raising taxes to cope with a soaring public sector borrowing requirement, it fails to recover a fair amount of what is due to it already for the want of a relatively small number of staff.

Clive Brooke,
general secretary,
Inland Revenue Staff Federation,
Douglas Houghton House,
231 Vauxhall Bridge Road,
London SW1V 1EH

Donor-aided research programme needs greater funding

From Dr P F A Van Look.

Sir, Your article, "Not in the best of health" (February 4), quotes me as having said that lack of money has not been a problem for research in human reproduction and contraception.

Regrettably, this statement has been taken out of context and, as a result, may give the impression that this field of research in general, and our programme in particular, is well provided for. I wish this were true.

The special programme for research, development and training in human reproduction is an international research programme. It is co-sponsored by the United Nations Development Programme, the United Nations Population Fund, the World Health Organisation and the World Bank. The programme's activities are financed, not from the WHO's regular budget, but from voluntary contributions by some 20 developing and developed country governments and organisations.

Until recently, these enlightened donors have been able to raise about 90 per cent of the programme's biennial funding targets. However, the fact that donors have provided such support should not be taken to mean that there is no funding shortage for the field in general or for our programme. It only reflects the donors' strong commitment and realistic budgeting on our part.

I would point out that funding for our current 1992-93 two-year programme is likely to reach only about 75 per cent of target because several of our European donors are forced to reduce their budgets for overseas development aid and a number of their currencies have recently been devalued.

P F A Van Look,
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FINANCIAL TIMES
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From conflict to co-operation

MR JACQUES Delors told the European Parliament yesterday that "the very idea of a united Europe is in peril". He was right. The European Community's economic malaise is undermining its political credibility. Many belabour the UK for "competitive devaluation", or "Anglo-Saxon circles" for undermining chances of economic and monetary union. This search for scapegoats is more than a pity; it is a mistake.

Mr Delors rightly argues for a co-operative solution to Europe's economic problems. The difficulty has been that sensible co-operative solutions have not been on offer. On the contrary, those co-operative solutions that have been offered – the European monetary system, as it operated between German unification and September of last year, for example – have made things worse, a possibility Mr Delors does not recognise.

Nothing can be less appealing than defending the policies of the present government of the UK. Even so, it cannot be credibly criticised for whimsical resort to beggar-my-neighbour policies, as some do, however upsetting to other EC member states has been the manner of their implementation.

UK gross domestic product contracted by more than 4 per cent between the second quarter of 1990 and the third quarter of last year. The UK also ran a trade deficit with the rest of the European Community of Ecu8.5bn (£6.3bn) in 1992, larger than that of any other EC member country, bar Spain, while, its overall current account deficit was £11.8bn (2 per cent of GDP). Against so grim a background, even a devaluation of 16 per cent cannot be viewed as predatory, whether or not it turns out to be a "dead end", as the French prime minister has argued. No country can owe either exchange rate overvaluation or never-ending recession to its trading partners.

Sterling was forced out of the ERM because its parity proved incompatible with economic recovery. It is for the same reason that the much-condemned speculators have doubted other parities within the system. What made these parities inconsistent with tolerable economic performance was German economic policy, on the one hand, and the determination to eschew a degree of exchange rate flexibility, on the other. It is peculiar, therefore, for leading figures in German politics, largely responsible for the former, and leading figures in French politics, principally responsible for the latter, to blame the consequences of those decisions on speculators, "Anglo-Saxons", and other bugbears.

The EC must deal with the underlying causes of its malaise. The Bundesbank, for example, is not so much a cause, more a victim of events. The most important cause was the refusal to allow the ERM to operate flexibly after German unification. The outcome has been a vicious circle of economic deterioration and political conflict. The co-operation for which Mr Delors rightly calls needs to start here. All else is secondary.

Water regulation

YESTERDAY'S consultation paper on the future supply of water in the UK is the latest in a series of papers to be published by Mr Ian Byatt, the director general of the Office of Water Services (Ofwat). The papers have been produced in the run-up to next year's periodic review of the regulatory regime for the water industry which will set the pricing formula until 2005.

The publication of these papers has been a commendable demonstration of glasnost. Mr Byatt has set out the conceptual problems he faces in regulating this most monopolistic of industries. The water companies, environmentalists and consumers have all been invited to join the debate and given data on which to make informed judgments.

This openness has well illustrated the exceptionally difficult problems faced in regulating the water industry. One of the most intractable is the requirement imposed on Mr Byatt to allow the water companies to make a reasonable return on capital. This requirement – not imposed on other regulators – was deemed necessary if the companies were to raise over £30bn needed to modernise the industry.

The definition of a reasonable rate of return led to an early clash between Ofwat and the companies. Mr Byatt proposed a target of 5 to 6 per cent; the companies say they need 9.5 per cent.

A further complication arises from the division of duties between Ofwat, which regulates water prices, and other bodies which regulate water quality. Directives from the European Community and standards set by UK bodies such as the National Rivers Authority can impose big additional costs on the water industry. Mr Byatt is responsible for keeping water bills as low as possible, without being able to control the dominant factor pushing up costs – ever-increasing environmental standards. He has usefully brought into the open the question of whether environmental standards are unnecessarily and expensively too high.

However, some responses from the industry appear to have merit. It has criticised yesterday's paper for a premature judgment that meters curb the growth in demand for water, arguing that preliminary trials have been inconclusive and the results of the Department of the Environment's fuller study will not be available for several months. It has complained too that the arguments in last month's paper were guilty of circularity in defining the value of the companies' assets.

Yesterday's paper should not, therefore, be the last to be published by Ofwat before the periodic review. Further reports are needed in which Mr Byatt summarises the responses to his original position papers and gives an evaluation of their arguments. Both investors and consumers deserve to learn of Mr Byatt's response to these rebuttals, and how he proposes to bridge the gap before he completes his review.

Act on Cambodia

SINCE THE signing in October 1991 of Cambodia's peace agreement, most of the 370,000 refugees in border camps have safely returned home, and 4.7m people have registered to vote in May's elections. Those are the positive achievements of the 22,000-strong United Nations presence. The failures, however, are mounting.

The UN Transitional Authority in Cambodia, Untac, which was charged with supervising, monitoring and verifying the ceasefire, has instead watched war continuing. Rather than being disarmed and cantoned by Untac, factional forces have intensified their fighting. The Khmer Rouge, though it committed itself to the agreement, is not participating in elections and has perpetrated numerous ceasefire violations including attacks on UN personnel. It controls at most 20 per cent of Cambodia's territory and probably a far smaller proportion of the population. But violence is spreading. Government forces last week attacked Khmer Rouge positions in flagrant violation of the ceasefire.

Ceasefire and disarming of troops were to be the building blocks of the free and fair elections which the UN was to supervise. Though they have not been achieved, the country is nevertheless proceeding to elections.

Cambodians, especially the Khmer Rouge, are responsible for the deterioration. However, Untac's authority has been undermined by inability, under its peacekeeping mandate, to react strongly to ceasefire violations. It has not acted quickly or firmly enough to correct the situation.

It is no longer enough for Untac to hang on grimly and hope for the best. The danger of pushing ahead with elections without implementing other parts of the plan has been all too painfully demonstrated in Angola. If the Cambodian peace process is to be put back on track sufficiently for elections to produce a constitution and a government which can be recognised internationally, the UN needs to take action.

The options are not easy. It would probably not be possible to win support for a substantial change in Untac's mandate. What is needed is a substantial effort to win observance of the original peace agreement, even if that means postponement of elections.

China needs to exert leverage on the Khmer Rouge – so far it has avoided overt moves to distance itself. France, seeking to re-exert its influence through President Mitterrand's visit today, has mischievously promoted the holding of presidential elections before a constitution is drawn up. The permanent members of the UN Security Council, as well as Japan which is primarily financing the operation, must face up to the problem and act to correct it. If the country descends again into civil war, the years of effort put into obtaining a peace agreement, and the $2bn allocated to the UN force, will be wasted – not to mention the lives of yet more Cambodians.

Lionel Barber and **Nancy Dunne** examine the tensions surrounding today's EC-US trade talks in Washington

A meeting of suspicious minds

An air of apprehension hangs over today's trade talks in Washington between the European Community and the US, the first high-level meeting between the two partners since President Bill Clinton took office last month.

On both sides, there is nervousness about how Sir Leon Brittan, the intellectual EC external trade commissioner, will cope with Mr Mickey Kantor, the new US trade representative and a shrewd dealmaker whose strongest card is that he has President Clinton's ear.

The need to establish personal chemistry is important because EC-US relations face a rough passage, at least in the short term. In the first three weeks of the new US administration the EC has had to digest statements and actions in Washington which, though some were not initiated by the Clinton government, have heightened the already sharp European fears of trade conflict with the US.

They include:

- A US Commerce Department decision to impose stiff anti-dumping duties on carbon steel products from 19 countries, including some EC members.
- A US threat to freeze out EC companies bidding for millions of dollars worth of US government contracts, because of objections to a EC utilities directive. Potentially more damaging is the hint that the US might withdraw from the General Agreement on Tariffs and Trade's multinational government procurement code.
- The new administration's resistance to extending the fast-track negotiating authority beyond its expiration date on May 31. An extension of the fast track, under which the president offers completed trade agreements for congressional ratification without the opportunity for amendment by the legislature, probably offers the best prospect of wrapping up the six-year-old Uruguay Round of the Gatt world trade talks. There is some cause for optimism. Earlier this week the Canadian trade minister was advised in Washington that an extension would be sought.

Sir Leon denounced the steel and procurement decisions as "unilateral bullying". He has also been frustrated by the administration's "go-slow" tactics on the Gatt. Without an agreement, he believes, a faltering world economy risks missing out on an expansion of trade of between $100bn and $200bn. Failure to reach a Gatt deal would further weaken an already-strained framework for resolving trade disputes.

EC apprehension stems partly from the change of power in Washington. President Bush was a known quantity, rarely allowing trade to dominate relations with Europe. He was adept at using threats of protection by Congress as a foil, warning allies that he represented the best deal on offer.

President Clinton is an unknown quantity. His big theme is change; but his relations with Congress are untested. His obvious focus is domestic, or as Mr Kantor put it in his confirmation hearings: "Trade policy is to be part of a co-ordinated and integrated economic strategy."

Some EC trade officials worry that this implies the entry of new players in Washington into the field of trade policy previously the preserve of a handful of politically insulated "experts", such as Mrs Carla Hills, Mr Bush's trade representative. Particular concern centres not only on Congress but also on the writings of Ms Laura D'Andrea Tyson, the head of the Council of Economic Advisers and an advocate of "reciprocity" in trade, and perhaps Mr Lloyd Bentsen, the Treasury secretary and architect of tough 1988 trade legislation. Some hope that the discreet Mr Robert Rubin, running Mr Clinton's economic security panel in the White House, could be a counterbalance.

This uncertainty explains why Sir Leon made a serious effort to reach an outline agreement on the Uruguay Round with the outgoing Republican administration.

On January 2, four days before he formally took over his post, Sir Leon spent all day closeted with Mrs Hills. He offered sharp cuts in tariffs, prompting US officials to believe a large market-access package could be completed before the inauguration. What happened next is in dispute. EC and US officials in Brussels say the outgoing administration failed to respond with a serious counter-offer. In Washington, US officials say Sir Leon subsequently backtracked because of division within EC.

Sir Leon now faces a fresh US team. It is an administration which, on the fragmentary evidence of its first three weeks, with so many policies at home and abroad subject to review and with so many senior positions still unfilled, is not about to be rushed. Nor is Mr Kantor, a man patient and clever enough to have faced down the ultimate negotiator, Mr James Baker, when the two determined the framework of last year's presidential debates.

The key will be Mr Clinton himself. Those who know him well, like Ms Paula Stern, former head of the International Trade Commission, an independent regulatory body, are convinced that philosophically he is a free trader, which was indeed the balance of the evidence of last year's campaign. She insists Mr Clinton understands better than did Mr Bush that "America's prospects are tied up with global prosperity".

In spite of the EC's fears about resurgent US protectionism, Mr Clinton's words on trade as president have so far been carefully measured. He certainly did not encourage the US auto industry's pursuit of anti-dumping remedies and this lack of support was probably a factor behind Detroit's decision on Tuesday not to proceed as threatened. Nor can new protectionist impulses necessarily be read into the steel tariffs ruling, imposed in the first week of the new government but long in train.

Still, the US "wait-and-see" approach to the Gatt is not without risk, not least because it could exacerbate several bilateral disputes already in the pipeline. The dispute over state support for Airbus Industrie, the European aircraft builder, may have temporarily been settled. But the EC remains angry over US taxes on European luxury cars, while the US-EC accord on agricultural export subsidies reached late last year, supposedly clearing the way for a Gatt deal, is still fragile. Above all, the steel and procurement rows, both of which Sir Leon and Mr Kantor must address today, underline the dangers of conflict.

What irks Brussels is that the US steel duties include a 10-year period in the 1980s when the EC was operating under a global "voluntary" restraint agreement with the US. The US action looks like a breach of faith, but it also represents an abuse of the wide-ranging US anti-dumping law to protect a cossetted industry, says an EC official.

The dispute over the EC utilities directive is murkier. It allows EC governments to reject tenders where the non-EC content is more than 50 per cent. Also, preference is given to tenders where more than half the contents are EC-produced, even if the price is up to 3 per cent higher. Mr Kantor claims the directive blocks US access to government contracts; but EC officials see it as an important market-opening initiative and a centrepiece of the single market programme, allowing outside bidders to enter a business worth about Ecu50bn (£40.6bn) in telecoms and electrical equipment alone.

One potential compromise is to drop temporarily the 3 per cent clause in return for reciprocal concessions under the US Buy America Act, a federal law which encourages domestic procurement. But the bilateral disputes cannot conceal the main task in front of Mr Kantor and Sir Leon. This is to establish a road map for a future Gatt agreement which includes tackling specific areas of dispute and a commitment to an early deal.

Without such a commitment, says Mr Gijs de Vries, a Dutch Euro MP and close observer of US-EC relations, trade tensions will come to dominate the transatlantic alliance, putting at risk necessary co-operation in other areas such as bringing peace to the former Yugoslavia and helping reform in the former Soviet Union. The Clinton administration would not dissent from this view. But defusing trade disputes will not be easy in the current climate of suspicion on both sides.

Absence of road pricing takes its toll

PERSONAL VIEW

Would the British electorate rather pay road tolls or medical bills? Astonishingly, this basic question is not being asked in the government's new review of public spending priorities, which covers only health, education, social security and the Home Office.

Road tolls are being eased on to the political agenda, but as a separate item promoted by the transport department. Yet the provision of roads is as much part of the welfare state as the provision of state pensions and schools. And although public expenditure on roads is modest compared with the health bill, the yield from tolls could easily be more than £10bn.

There could be even bigger gains to the public sector borrowing requirement if roads were privatised. The German government has recognised the benefit of such a move, having just approved plans to privatise its autobahns and impose an annual fee.

Resource allocation on Britain's road system is one of the last outposts of Soviet-style economics. Road usage in big cities and on many inter-city routes is limited by queueing rather than pricing, as used to happen in Moscow's food stores. No attempt is made to charge for factors such as vehicle emissions, congestion or accidents, echoing the practice applied to East Germany's chemicals plants.

There is a strong economic case for sweeping all this away and replacing it with electronic road pricing, especially in urban areas, with premium rates for the rush hour and discounts after midnight. For users concerned that the system might allow their movements to be tracked, technology exists for them to be charged anonymously.

By contrast, the market for healthcare is bedevilled with information problems, as US medical services demonstrate. Doctors know much more than their patients, which allows them to charge for unnecessary tasks. The threat of negligence suits helps to institutionalise this over-provision. Private health insurance suffers from market failure owing to "too much information": there can be no insurance for chronic conditions where it is known that treatment has to be provided, nor can hereditary conditions be covered.

Recent studies of road pricing do not give figures of probable revenues, so we have made tentative estimates. We reckon the annual toll revenues at £11.5bn, assuming a rate of 3p a kilometre for cars on motorways and trunk roads, close to the French level, and 8p in towns. This also assumes that tolls cut traffic volumes by one-fifth. Experience of tolls on UK river crossings and continental motorways suggests that a substantial net income would remain after collection charges. Moreover, the flotation value of the railway companies should be increased.

Resource allocation on Britain's road system is a last outpost of Soviet-style economics

If the entire road network were privatised, the private sector would raise the capital to develop and install the toll collection systems and to fund the existing road building programme. The flotation value would be very roughly £75bn, at a price/earnings ratio of 12, neglecting tax, if annual collection costs were 10 per cent of revenues, and if creation of the toll systems cost one year's revenue. The German government estimates that its autobahn network is worth DM120bn-DM130bn (more than £50bn).

The effect on the PSBR would be significant. If these proceeds were spread over five years, the PSBR would be cut by £18bn initially (£15bn from the flotation, plus £3bn saving on road expenditure), and by more as the savings on debt interest built up. After five years, there would still be an annual saving of some £9.5bn (£6.5bn from lower interest payments, plus the £3bn). The exact figures would of course depend on many items, including the treatment of local authority spending and on whether the road fund licence was retained.

This privatisation would create a series of companies with good potential to develop new technologies and services for sale on domestic and international markets. At home, they could sell real-time traffic information systems to drivers and, eventually, road guidance systems to take over control of vehicles on the motorways. Abroad, they could sell their expertise in electronic toll collection and guidance systems into what looks set to be a rapidly developing market.

Road pricing offers a way of slashing the PSBR, while reducing congestion and pollution, and creating the base for a world-class high-tech industry in the UK. The economic arguments in its favour seem almost overwhelming compared with those for charges in other areas of the welfare state, especially healthcare. Yet it is not even on the agenda. Something is wrong.

Giles Keating

The author is chief economist at Credit Suisse First Boston

OBSERVER

Fate of the art

■ Amid all the fuss about what's to happen to British Rail's multi-billion-pound pension fund, one little detail seems to have been missed. Who gets the art collection?

British Rail's decision to invest £40m of its workers' pension monies in works of art in the 1970s has proved to be one of its more imaginative business decisions. Helped by Sotheby's, BR bought 2,200 high-quality objects from Old Masters and Impressionists to Chinese antiquities.

Luckily it got rid of most of them before the art bubble burst in 1989, and reckons to have earned an annual return after inflation of 6 per cent on its investment.

With the Impressionists, including important works by Renoir and Monet, it did much better. Having put in £3.4m, it recouped 10 times as much just before that particular segment of the market's technicolour collapse.

Only around 350 objects remain in the collection but they include some of the finest canvases, particularly of the Old Master kind. There is a striking Van Dyck of the Little Princesses, on loan to the National Gallery of Scotland, and a Goya Bullfight currently thrilling aficionados in the Fitzwilliam. A similar Goya sold in December for almost £5m.

Somehow Observer suspects that, if the remnants of the collection pass into the Treasury's hands, they will either be off-loaded at just the wrong moment or stuck in some anonymous warehouse. Perhaps the pension fund trustees should strike first, and hand what's left to the railway museum at York.

Gros Mac

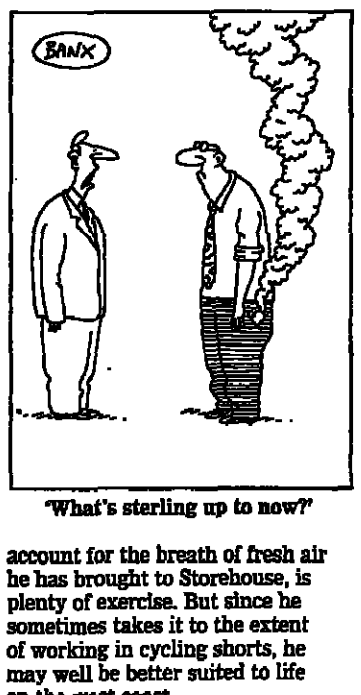
■ What price *haute cuisine* now? A study by consultants MKG Conseil shows that France's most prominent restaurateur today is McDonald's, which last year overtook all rivals with a 26 per cent hike in sales to FFr4.1bn.

Heavy loss

■ Before Britain loses Storehouse's David Dworkin to a new life in California, Observer thinks readers should know the secrets of the BhS and Mothercare group chief executive's diet. After all, even though by no means porky on reaching BhS from America in late 1989, he has since personally shed as much further excess fat as he took out of the business.

His intake is apparently based on regular helpings of carbohydrate. Favourite lunch is a jacket potato followed by yoghurt, but he denies wandering around the head office eating a bowl of Rice Krispies. Whenever his blood sugar is a little low he unzips a banana.

Another ingredient, which may account for the breath of fresh air he has brought to Storehouse, is plenty of exercise. But since he sometimes takes it to the extent of working in cycling shorts, he may well be better suited to life on the west coast.



'What's sterling up to now?'

City chiller

■ The City of London establishment should surely shiver at the sight of Morgan Stanley International, the London end of the pushy Wall Street broker, sharing the underwriting of the Commercial Union rights issue with Kleinwort Benson.

It's one thing for firms like Morgan Stanley to earn a crust by brokering clever deals to UK corporate clients. But the CU deal was a bog-standard rights issue which Kleinwort, CU's traditional adviser, would have dearly loved to have done on its own and collected the full fee.

Presumably Morgan Stanley's name has been added as a reward for past favours to CU. It certainly belies the accusation that US investment banks are only interested in doing deals and not prepared to invest in long-term relationships with their clients.

Wash out

■ Malaysian company Hidong deserves at least a small prize for its excuse for not yet publishing its results for the half year to September 30. It blames difficulties in replacing departed accounts staff, due to flooding during the monsoon period of November and December.

Vein hopes

■ Talk about cutthroat competition. Hoping to boost its supplies, Norway's Haukeland blood bank is offering donors free admission to the local cinema, currently showing Dracula.

Meanwhile, recession is prolonging the life of a Finnish monopoly industry. The country's sole shoeshine boy, 69-year-old Leonty Ivanov, has postponed his planned retirement because lack of custom at his Helsinki stand means he'll need longer to pay off his tax arrears.

Van hopes

■ Wheels within wheels. Motor-industry watchers goggled at the speedy departure from DAF of Sandy Mathieson to return to his former British Leyland haunts with Rover. Could this herald a Rover-led rescue of Leyland DAF's Birmingham van plant?

For one thing, Mathieson was in the front seat beside current Rover chairman George Simpson while he was turning round British Leyland's van business before the merger with DAF in 1987.

For another, the man who then took over the controls – Graham Morris – is also back with Simpson overseeing European marketing operations. And, for good measure, the faltering van plant supplies the key body components for Land Rovers and Range Rovers to boot.

Alas, hopes that Simpson and Morris had pulled in Mathieson for a mercy dash appear to be mere wishful thinking. It's said he'd decided to make his move well before DAF ran out of road.

Troublemaker

■ How do you spot an anarchist in Switzerland?

He doesn't use the postcode.

FINANCIAL TIMES
Thursday February 11 1993

NBC makes apology to GM

Carmaker's determination is clear, writes Martin Dickson

ONE OF America's best known television presenters, Ms Jane Pauley, took to the screen on Tuesday night to deliver a grovelling apology on behalf of the NBC network to General Motors, America's biggest carmaker.

NBC's admission of wrongdoing came just a day after GM launched a suit for defamation against the network, which it said had rigged a broadcast test of a GM truck to make it burst into flames during a collision.

In particular, GM said NBC had fitted small incendiary devices – boosters for toy rockets – underneath the vehicle. The devices were detonated by remote control, thus ensuring that any petrol spilt during the collision would catch fire.

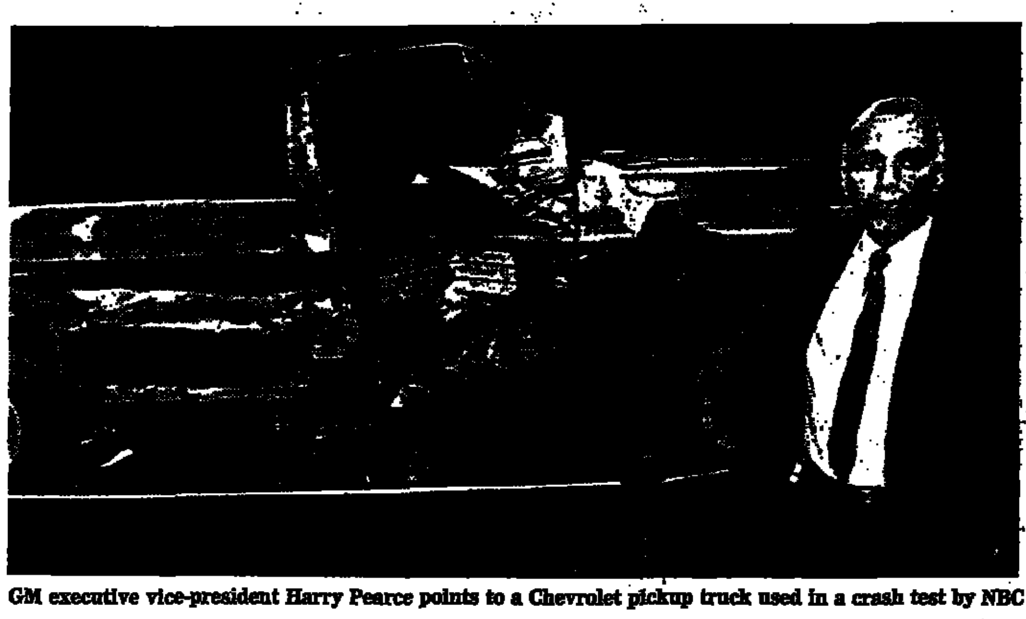
The current affairs programme *Dateline NBC* had aired pictures of the blaze without telling its 11m viewers about the rockets.

Apologising to both GM and viewers, Ms Pauley said the crash demonstration was inappropriate, the use of "incendiary devices" was a "bad idea from start to finish", and that the public should have been told about the devices. GM followed through by calling off its legal action.

GM's investigation began after a tip that the tests were rigged. The company wrote to NBC seeking its co-operation and access to the two vehicles involved, only one of which (a 1977 model) caught fire. NBC replied that the pick-ups had been destroyed.

GM, however, scoured dumps in rural Indiana around the test site, found the vehicles, and signs that the rocket devices had been taped to them. It also uncovered photographic evidence of a remote-control device being used to set off the explosions and puffs of smoke coming from beneath the vehicles just before collision.

An X-ray of the 1977 vehicle's fuel tank showed this had not been pierced – contrary to claims in the NBC programme. And by finding the previous owner of the vehicle, GM established that it was fitted with a faulty fuel cap.



GM executive vice-president Harry Pearce points to a Chevrolet pickup truck used in a crash test by NBC

In other words, the fire set off by the explosive devices was fed by fuel escaping from the vehicle's filler tube, when the fuel cap flew off in the collision, and not from a ruptured tank.

But the clash between two of America's best-known household names will not end here.

It strikes a severe blow to the credibility of NBC, which is already struggling with a serious morale problem. Since its takeover by General Electric in 1986, NBC has dropped from first to last in the ratings of America's three networks. This latest blow comes on top of the recent loss of its late-night talk-show host, Mr David Letterman, to rival CBS.

GE is believed to want to sell NBC and the GM debacle is likely to strengthen its resolve.

The incident also underscores the dubious quality of some US investigative television reporting, which often seems shallow in its analysis and sensational in its treatment of facts.

Media analysts suggest standards have slipped over the past two decades as networks have faced declining budgets and increased competition for viewers from cable channels.

NBC said yesterday that from now on "unscientific demonstrations" would have no place in hard news stories at the network.

The apology also gives a boost to GM, which is struggling against a tide of bad publicity over the safety of its C/K pick-up trucks built between 1973 and 1987. The fuel tanks on these pick-ups are located at the side, and outside the main frame, which critics have alleged makes them particularly vulnerable to fire when hit from the side.

Last week a jury in Atlanta, Georgia, found GM guilty of negligence in the design of the trucks and ordered it to pay over $105m to the parents of a teenager killed in an accident involving a C/K. GM is appealing.

Government regulators are investigating the safety of the vehicles, which GM insists are no more dangerous than those of its rivals. If the regulators disagree, they could order a recall of the estimated 4.7m trucks still on the road for modification, which would cost GM hundreds of millions of dollars and lay it open to more suits.

GM's legal action demonstrates forcibly that the company is prepared to fight hard to defend its pick-ups, and will not recall them unprompted.

The apology from NBC is a big morale-booster for a company which has faced a barrage of bad publicity as it struggles to turn its North American car operations back to profit. All this was spelt out in meticulous detail by GM at a two-hour news conference on Monday, complete with a dramatic unveiling of the smashed-up test vehicles.

THE LEX COLUMN

CU's growth policy

Insurance companies have a poor record of managing expansion. The market might therefore wonder whether Commercial Union can deliver a decent return on the £428m ($645m) raised yesterday. Having taken on an additional £1bn premium income last year, the company is moving at speed. Yesterday's full-year figures show the early benefits of the premium increases which have been implemented both in the UK and abroad. The danger is that capital committed to the market from here on will arrive just in time to catch the next down-swing in the insurance cycle.

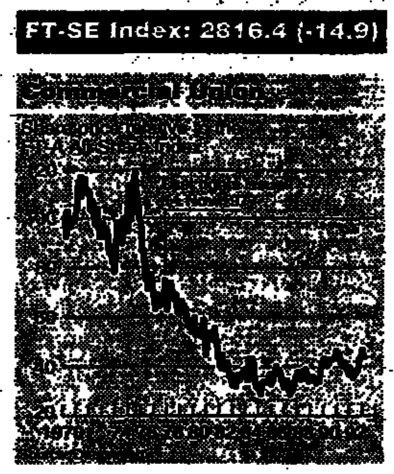
CU might argue that competitive pressures will be slow to re-emerge this time around. Composite insurers have raised over £1bn either from rich parents or, in the manner of Sun Alliance's convertible bond on Tuesday, from the capital markets in the last year. But that replaces only a fraction of the capital sucked out by losses since the late 1980s. There is certainly no sign yet of UK rates starting to soften. With so many of the opposition disabled by mortgage indemnity losses, the opportunity to snatch UK market share must look too good to pass up. Although expanding life assurance sales in relatively unknown markets like Spain and Italy carries risks, it might provide valuable balance to the more violent swings in general insurance.

Judging by the 2 per cent rise in the shares yesterday, the market is willing to give the company the benefit of the doubt. But the competition is unlikely to just sit back and watch. By bringing its results forward to launch the rights issue, CU was keen to be at the front of the queue for funds. Too many more cash calls from insurers will be a signal to clear out of the sector.

Germany

Foreign exchange markets had been primed to expect so little from yesterday's German money market repurchase operation that a 7 basis point cut in the rate to 8.5 per cent actually came as something of a relief. Yet it is a sign of the Bundesbank's extraordinary reluctance to relax monetary policy that it has not allowed the money markets to adjust fully even to last week's quarter point cut in the discount rate. On the surface, that looks a singularly hard-hearted reaction to the latest government report, which gloomily forecasts a decline of up to 1 per cent in economic output this year.

FT-SE Index: 2816.4 (-14.9)



So what is holding the Bundesbank back? Perhaps it is partly the conviction that the downturn in the economy is not as bad as the high-profile troubles in manufacturing suggest. Perhaps, too, it believes that only a credible anti-inflation policy will produce the low long-term interest rates needed to finance the budget deficit at reasonable cost. The bank must also be worried that lower short-term interest rates could spark a surge in the dollar, pushing up prices at home.

If the Bundesbank is clinging to these beliefs in the face of a such a sharp rise in unemployment, it is difficult to see it letting them fade entirely into oblivion as soon as the money supply numbers improve. There is little ground to believe that rate cuts will be as aggressive as in 1982-83 when the discount rate was cut by 3.5 points in the space of six months. Sooner or later the exchange markets will cease to be distracted by tiny rate cuts and strains in the ERM will reappear with a vengeance. If that leads to the break-up of the system, other European economies will be spared the worst of what promises to be a pretty nasty recession. Either way it hardly bodes well for Germany itself.

Storehouse

A 10 per cent fall in Storehouse's shares over the past two days seems a rather extreme response to its chief executive's departure. Shareholders presumably took the view that if Mr David Dworkin had decided to take the money and run they should perhaps do likewise. Their nervousness is understandable. Since Storehouse had previously been trading on a prospective multiple in the high 20s, there was little room for any trading wobbles. Although there is no hint of any boardroom rancour, Mr Dworkin's departure is abrupt and leaves a considerable void. As the inspirational force behind BhS's renaissance, Mr Dworkin was as much the symbol of change as its architect. The fear is Storehouse will lose momentum unless an energetic successor is appointed quickly.

Storehouse has no financial worries after disposing of Habitat and Richards. Its two main trading companies are operationally sound. BhS has decisively turned the corner and Mothercare appears to be on the mend. Ms Ann Iverson, who followed Mr Dworkin from Bonwit Teller to BhS and now has a critical role in rejuvenating Mothercare, has signalled her determination to stick with the challenge.

Even so, Storehouse's shares seem likely to drift until the top slot is filled. Worryingly, there are no obvious candidates in sight. The longer the wait, the more jittery the market will become.

Lloyds Abbey

Yesterday's full-year results will do little to encourage Lloyds Abbey Life's biggest shareholder to increase its stake. Selling life assurance products to Lloyds Bank customers has proved far from recession-proof. New business figures are generally better than achieved by competitors without the benefit of a captive audience. The long-term argument in favour of *bankassurance* remains intact. But the slower rate of growth suggests bank customers are not all lining up to buy insurance. Lloyds Abbey faces a hard slog reaching customers in the numbers talked about when the alliance was first hatched.

With its exposure to estate agencies and mortgage lending, Lloyds Abbey's earnings might be expected to recover smartly once the housing market turns. Economic revival will equally help sales of profitable regular premium life products. But that may not mean sharply higher dividends. This year's unchanged pay-out is only just covered by distributable profit. Higher sales of life assurance will have to be backed by additional capital. Some will have to come from retained earnings. While interest rates are low, a 5.2 per cent yield will doubtless provide some support for the shares. But the market is likely to remain sceptical until the growth prospects are clear.

Major faces party rebels

Continued from Page 1

The government would have opportunities both in the House of Lords and at the Commons' report stage to reverse it.

Labour and the Liberal Democrats yesterday insisted that the UK could sign the social chapter in a brief procedure without opening up the treaty to full-scale review.

Privately Labour acknowledged it had little chance of imposing the social chapter on the government, but every effort will be made to maximise the Conservatives' discomfiture.

Meanwhile, government business managers are aiming to persuade Labour and Liberal Democrat pro-Europeans that they are jeopardising the whole treaty by backing the social chapter amendment. Pressure on Labour is also expected through overtures to European socialist parties, to persuade their British colleagues to back down.

German autobahn tax plan drives straight into problems

By Quentin Peel in Bonn

THE German government's plan to impose a new road tax on autobahn users yesterday ran into a barrage of abuse, mostly from motorists.

As Germans woke up to the fact that their favourite weekend pastime, alternately dicing with death at unlimited speeds and sitting in autobahn traffic jams, was going to cost them up to DM400 ($250) a year, the flak started flying.

Mr Otto Flimm, president of ADAC, the motorists' club, said his members already paid petrol taxes and it was unreasonable to make them pay twice. He suggested a special tax on lorries instead.

Mr Ekkehard Gries, transport spokesman of the Free Democrats (FDP), the crusading free marketeers in the ruling coalition, called the plan "nothing more than money-skimming".

Even the leftwing anti-motor lobby was critical. Mr Franz Steinkühler, leader of the engineering union, IG Metall, called it "an act of monumental dim-wittedness".

Bonn gloomier on outlook for west Germany ......Page 2

The Greens said making motorists pay to drive on motorways would only encourage them to use them more, in order to get value for money. According to an instant opinion poll by the Forsa research institute, 46 per cent of Germans will stop using the autobahns if the charge is introduced. Some 12 per cent said they would take to public transport, and 37 per cent would carry on regardless.

The final blow came from Mr Klaus Steffenhagen, chairman of the police trade union in North Rhine-Westphalia, where a web of autobahns covers the industrial heartland. He said his members were already overworked and underpaid, and would not enforce the new system. "We will fight this one all the way," he said, "to make sure our members don't have to turn into tax inspectors."

The extraordinary backlash took Chancellor Helmut Kohl and his colleagues by surprise. The transport ministry hastily explained that the tax was only a first step to an electronic toll system which would charge motorists by the mile.

Mr Dieter Vogel, the government spokesman, said no date for its introduction, nor any figure for the motorway charge, had been agreed.

Colin Powell may quit ahead of time

By Jurek Martin in Washington

GENERAL Colin Powell confirmed yesterday that he was thinking of retiring early as chairman of the joint chiefs of staff, but flatly denied this was because of disagreements with the Clinton administration.

He appeared on morning television shows after a report in the New York Times which quoted "friends and associates" saying he was unhappy with President Bill Clinton's determination to admit homosexuals into the military and with the extent of the defence budget cuts under consideration.

Gen Powell's second two-year term as chairman of the joint chiefs expires at the end of September.

He said yesterday that he had told Mr Dick Cheney, the previous secretary of defence, last summer that he would not seek a third term even if President George Bush were re-elected. He had spoken then of leaving the post a month or two early in order to resettle his family.

But he vigorously denied suggestions that he was at odds with the new administration's policies. "I'm not in any conflict with the administration over their plans and I am not planning to retire early as a result of any conflict."

He said the military had received "good guidance" from Mr Clinton and Mr Les Aspin, the new secretary of defence, with both of whom he had "a fine relationship". He said he had every intention of testifying before Congress in support of the new and reduced defence budget.

Gen Powell was also at pains to stress that the military at large was not distressed by the new policies. "There's nobody over here in a blue funk, thinking the whole word has dropped on us," he said. "We shouldn't let the impression be created around the country that somehow we are fighting the president."

He reiterated his "concerns" about admitting homosexuals into the military, but said the president's guidance on the issue was clear and he was not about to be "insubordinate" by frustrating them.

Gen Powell is rated a phenomenally successful chairman of the joint chiefs, and not only because of the victory in the Gulf war. His doctrine of "maximum force" has been criticised by some who feel that it delayed US intervention in humanitarian crises such as Somalia, but his reluctance to commit forces overseas without a clearly defined mission commands much respect in Washington, where he is rated as a consummate politician.

Italian Socialist justice minister resigns

Continued from Page 1

Martelli is the first to resign.

Prof Giuliano Amato, the prime minister, last night faced the delicate task of finding a replacement and maintaining the credibility of the government. He will assume the justice portfolio himself in the interim.

The lira weakened in after hours trading. It was quoted at L931 against the D-Mark compared to L926 at midday.

Commenting on Mr Martelli's resignation, a rare gesture in Italian politics, Mr Achille Occhetto, the leader of the former communist Party of the Democratic Left said: "Mr Martelli's action is appreciated at a personal level, but it is a situation which involves the whole government."

World Weather

		°C	°F			°C	°F			°C	°F
				Boulogne	C	3	37	Frankfurt	C	1	34
				Brussels	C	2	36	Geneva	C	2	36
				Budapest	S	5	41	Gibraltar	C	14	57
Ajaccio	F	14	57	Buenos Aires	R	20	68	Glasgow	C	6	43
Algiers	S	17	63	Cairo	F	13	55	Helsinki	S	-1	30
Amsterdam	C	3	37	Cape Town	S	24	75	Hong Kong	S	19	66
Athens	F	9	48	Caracas	C	26	79	Innsbruck	S	2	36
Bahrain	S	18	64	Casablanca †	F	17	63	Inverness	F	6	43
Bangkok	C	33	91	Chicago †	C	1	34	Islamabad		–	–
Barcelona	S	13	55	Cologne	S	3	37	Istanbul	F	4	39
Beijing	S	7	45	Copenhagen	C	1	34	Jakarta	R	31	88
Beirut	R	10	50	Corfu	S	13	55	Johannesburg	F	21	70
Belfast	Dr	5	41	Dallas †	R	13	55	Lisbon	R	13	55
Belgrade	S	2	36	Dublin	Dr	6	43	London	C	5	41
Berlin	C	1	34	Dubrovnik	S	14	57	Los Angeles †	S	11	52
Biarritz	S	13	55	Edinburgh	Dr	5	41	Luxembourg	C	-1	30
Bombay	S	34	93	Faro	F	17	63	Madeira	S	18	64
Bordeaux	C	10	50	Florence	S	13	55	Madrid	F	8	46

		°C	°F			°C	°F			°C	°F
Majorca	F	14	57	Oporto	R	12	54	Tenerife	S	19	66
Malaga	F	15	59	Oslo	Fg	-2	28	Tokyo	S	5	41
Malta	C	14	57	Paris	C	3	37	Toronto †	C	-1	30
Manila	F	30	86	Prague	C	-1	30	Tunis	C	16	61
Melbourne	F	20	68	Reykjavik	C	3	37	Valencia	F	12	54
Mexico City	F	20	68	Rhodes	S	11	52	Venice	S	7	45
Miami †	C	18	64	Rio d'Janeiro	C	41	106	Vienna	S	3	37
Milan	Fg	3	37	Rome	S	14	57	Warsaw	Dr	0	32
Montreal †	C	-11	12	Salzburg	C	1	34	Washington †	F	-1	30
Moscow	F	-3	27	S'Francisco †	F	8	46	Zurich	C	1	34
Munich	C	-1	30	Seoul	F	5	41				
Nairobi		–	–	Singapore	F	31	88				
Naples	S	15	59	Stockholm	C	3	37				
Nassau	R	25	77	Strasbourg	C	3	37				
New Delhi	S	25	77	Sydney	C	23	73				
New York †	S	1	34	Taipei	C	20	68				
Nice	S	14	57	Tangier	C	16	61				
Nicosia	C	12	54	Tel Aviv	R	9	48				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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Thursday February 11 1993

INSIDE

Schneider sells off components arm

Schneider, the French engineering and construction group, is finalising a deal to sell Jeumont-Schneider, its electronic components arm, to Framatome, the state-owned supplier of nuclear reactors. The disposal is expected to be a complex deal, with Framatome retaining the company's nuclear activities but selling non-nuclear interests. Page 14

Insurers hit the doldrums

Problems at French insurers could scarcely have come at a worse time. The insurance industry has hit the doldrums just as the three state-controlled companies – UAP, AGF and GAN – are preparing to be privatised. Page 16

UK season opens amid gloom

As the UK reporting season opens, investors expect disappointing news. Profits and dividends are expected to show no growth or a slight aggregate fall. New accounting rules will make results more volatile but easier to analyse. The Financial Times is modifying its reporting of UK results to make the most of the new information. Page 19

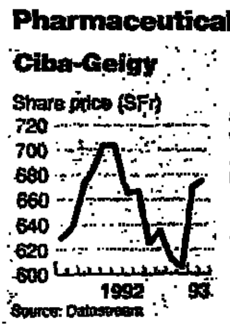
Chinese seek Hong Kong listings

Some of China's largest state-run industries will this year list on the Hong Kong Stock Exchange. The potential for Hong Kong is enormous. However, one obstacle to the smooth launch of Chinese flotations is a need to re-educate the companies' management. Page 17

Aluminium floods into the west

The flood of CIS aluminium exports that has threatened the survival of some European smelters is also causing grave concern in the CIS, where some industries, including fish canneries, have run short of the metal. Page 22

Pharmaceutical stocks wobble



Pharmaceutical stocks, a salve for market woes for much of the recession, have started to wobble. Most British and American drugs stocks have been caught as investors switch out of defensive companies. The environment for healthcare stocks is changing for the worse. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Asko	615	+	24
Bil & Berger	914.5	+	14.5
Daimler-Benz	614	+	11
Didier-Werke	117.5	+	6
Linotype-Hell	480	+	9
Falls			
Philips Kommun	513	–	7

NEW YORK ($)

Rises			
Altera	17⅝	+	⅞
Appld Materials	37	+	½
Intel	114¾	+	4
Falls			
Aetna Life	28¼	–	⅜
Eastman Kodak	52	–	1¾
Travelers	28¼	–	⅜

PARIS (FFr)

Rises			
CGIP	972	+	18
Schneider	666	+	11
Sefimeg	466	+	14.1
Falls			
Cap Gemini S	177.3	–	7.2
Ecco	425	–	15
Gal Lafayette	1610	–	40

TOKYO (Yen)

Rises			
Gajoen Kanko	265	+	25
Iwata Bussan	295	+	49
Lonseal	250	+	36
Nihon Seima	254	+	24
Plas-Tech	230	+	22
Falls			
Bandai	2850	–	400

New York prices at 12.30pm.

LONDON (Pence)

Rises			
Aberdeen Pet	12½	+	1¼
Ferraris	50	+	7
Haynes Publ	358	+	30
Nithsdale Fds	22	+	5
P & P	48	+	4
Sinclair Gold	23	+	3
TSB	171	+	8½
Telemetrix	110	+	9
Vickers	132	+	6
Falls			
Aveeco	34½	–	4½
Benson Group	22½	–	3
B4U	21½	–	4
Brabant Res	36	–	3
Elbief	21	–	5
Gabicci	28	–	5
Gen Accident	569	–	26
LASMO	163	–	7
ML Labs	1108	–	77
Reuters	1316	–	66
SEET	46	–	4
Securicor A	825	–	20
Simon Eng	119	–	20
Smd Platform	43	–	19
Storehouse	184	–	10

Accounting change takes Ford loss to $7.4bn

By Martin Dickson in New York

FORD Motor, the US carmaker yesterday reported a $7.4bn loss for 1992, due largely to a $6.9bn non-cash charge for a change in accounting principles but also a $419m fourth-quarter charge for restructuring its European operations.

The accounting change involves retirees' health benefits and affects all US companies. Ford's charge is one of the highest reported, but it will be dwarfed today by a $20.8bn charge due to be announced by General Motors.

For the fourth quarter, Ford announced a loss of $840m, or $1.85 a share, after taking the $419m charge for restructuring in Europe, where it has been hit hard by recession and is cutting jobs extensively. The loss compared with red ink of $476m, or $1.03 a share last time, and was struck on sales of $25.4bn, up from $21.98bn.

The group's full-year loss of $7.4bn, or $15.61 a share, compared with a loss of $2.25bn, or $4.79 a share in 1991. Excluding accounting changes, it lost $502m in 1992.

Ford's North American vehicle operations have been helped by a gradual recovery in the market and Ford has been gaining market share.

It held 21.8 per cent of the car market in 1992, up 1.7 points from 1991, and its Taurus model overtook the Honda Accord to become the best-selling US car, helped by some hefty year-end financial incentives to buyers.

Ford's US vehicle operations lost $405m in 1992, excluding accounting charges, an improvement of $1.8bn over 1991. However, outside the US losses rose from $970m to $1.1bn.

Its financial services company, Ford Credit, had record earnings of $1.04bn, or $892m, excluding accounting changes, up from $749m in 1991.

Mr Harold Poling, the chairman, said the company was cautiously optimistic about 1993. It expected the US vehicle market to rise to around 13.5m cars and trucks from 13.1m in 1992, while Europe would drop to around 13.7m, against 14.9m.

He said many of the problems of 1992 were continuing this year, including weak economies, intense competition and excess capacity.

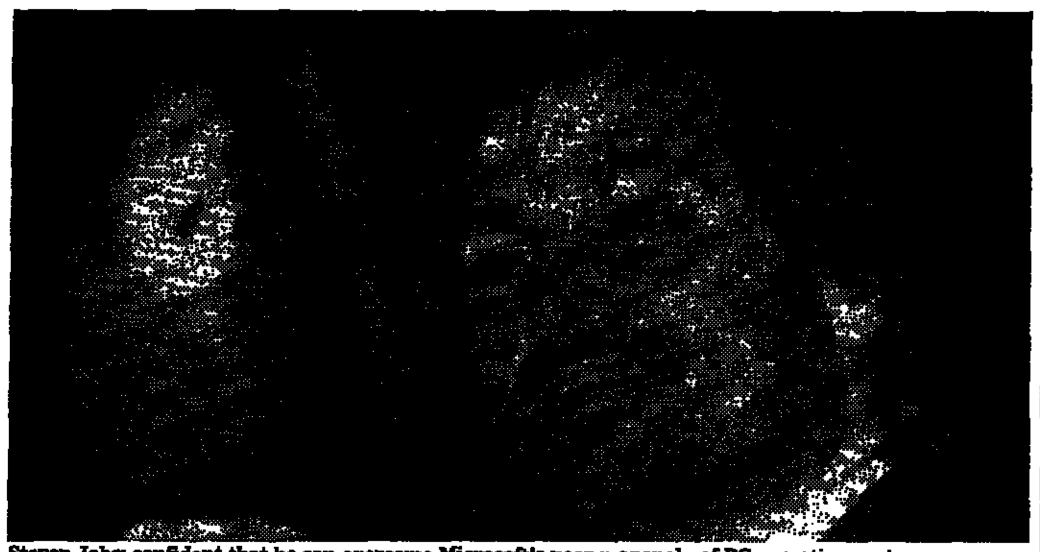
However, the company's cost reduction efforts and recent new products, coupled with gradual economic recovery in the US, "provide the basis for continued improvement in operating results".

Ford of Europe results, Page 16

Steven Jobs to concentrate on computer software development

Canon set to buy Next hardware

By Michiyo Nakamoto in Tokyo and Louise Kehoe in San Francisco



Steven Jobs: confident that he can overcome Microsoft's near monopoly of PC operating systems

CANON, the Japanese office equipment manufacturer, is set to acquire the computer hardware business of Next Computer, the innovative US computer company.

It already holds a 16.7 per cent stake in Next, and was the company's first outside investor.

Formed in 1985 by Mr Steven Jobs, the computer entrepreneur who co-founded Apple Computer, Next is abandoning computer manufacturing to concentrate on selling its highly-regarded computer software.

The move represents a disappointment for Mr Jobs, who had hoped to repeat his achievements at Apple by creating another industry-leading computer company.

It also reflects Canon's growing involvement in the computer business, where its presence so far has been restricted mainly to the manufacture of peripherals, particularly laser printers.

Mr Jobs owns 46 per cent of Next while Mr Ross Perot, the Texas billionaire and former presidential candidate, owns 11 per cent.

It has, however, sold only about 50,000 computers, in spite of having software that is widely praised by computer experts.

In May, Next will introduce a new version of its Nextstep computer operating system for personal computers. This will place Next in competition with Microsoft, which dominates the PC operating system.

However, Mr Jobs is confident that it can overcome Microsoft's near monopoly. "We believe that we are two to three years ahead of Microsoft and Taligent," he said. Taligent is a joint venture between Apple Computer and International Business Machines that is developing a new PC operating system.

Next will close its Freemont, California, factory by the end of the month, he said. The company will cut its workforce from 530 to about 200.

"Canon has not decided what it wants to do, but there should be a decision by the end of the month," said Mr Jobs.

Just last month, Mr Jobs announced that Next had achieved its first quarterly operating profit in the fourth quarter of 1992. He said that the company's revenues for 1992 were $127m, up 10 per cent from 1991. Next had been planning a public share offering.

If an agreement is finalised, Canon would also gain exclusive sales rights to Next's software products in the Pacific and Asia as well as the right to use software that would enable Canon copiers and printers to run on Next software.

Canon will continue to supply Next hardware and maintenance service in the Asia and Pacific areas in which it already does so. Motorola supports Next customers in the US.

A Canon representative said yesterday that "Canon has a history of diversification and it is conceivable that in future it will build a computer business" based on the Next hardware operations it is considering acquiring.

From its origins as a camera manufacturer in 1937, Canon has successfully diversified into a manufacturer of mainly office equipment, which now account for 80 per cent of its turnover. Cameras comprise only 15 per cent of turnover while others, such as semiconductor equipment and medical equipment, make up the remaining 5 per cent. Most recently it joined forces with IBM to introduce a compact Notebook PC that comes with a bubble-jet printer.

Lonrho makes Bock joint chief executive with Tiny Rowland

By Roland Rudd in London

Dieter Bock: wants 'reputable non-executive directors'

MR DIETER BOCK, the German financier with an 18.8 per cent stake in Lonrho, the international trading conglomerate, was yesterday appointed as joint chief executive and managing director with Mr Tiny Rowland.

Mr Rowland, who has effectively run the company for the past 31 years, said Mr Bock would have no separate duties or responsibilities.

However, Mr Rowland said Mr Bock's appointment would allow him to spend more time in Africa while Mr Bock said his expertise would enable him to deal with "questions relating to [Lonrho's] financing".

Mr Paul Spicer, Lonrho's deputy chairman, said: "It should not be misunderstood, there is no division. There is no split, no potential for conflict. With a telephone call both will know what the other is doing."

While the joint chief executives stressed there would be no significant changes in the running of the company, Mr Bock revealed that the group had changed its mind over the appointment of non-executive directors.

After discussing the implications of the Cadbury Report, which recommends that companies should appoint independent non-executive directors, Mr Bock said Lonrho's board was now looking for "reputable non-executive directors".

In the past the group said it did not believe that the appointment of non-executive directors was necessary.

Although Mr Rowland named Mr Bock as his successor he said he intended to continue as joint chief executive for at least three years.

Mr Bock said the group's main aim was to continue to reduce borrowings – which recently rose to £947m ($1.36bn) – through minor disposals. With the exception of the Ashanti Goldfields Corporation in Ghana, Lonrho's investments in companies it does not control are up for sale. For example, Mr Rowland said Lonrho may dispose of its minority stakes in Anglo-American's Leeuwbosch and Eastern Gold mines in South Africa.

Lonrho's core businesses, which Mr Rowland identified as mining, hotels, agriculture and trading, would not be sold.

However, he explained that Lonrho did not have to own 100 per cent of a core business. "The minimum holding level is 51 per cent."

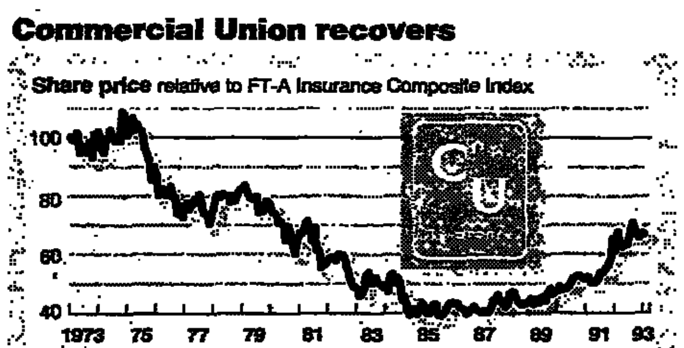
Mr Rowland said he would consider allowing Gencor, South Africa's biggest mining house, to increase its 27 per cent stake in Lonrho's three platinum mines, if it should wish to do so.

Lonrho recently had talks with Gencor about a possible merger but Mr Rowland decided that it was not in the group's interests to be South African-controlled.

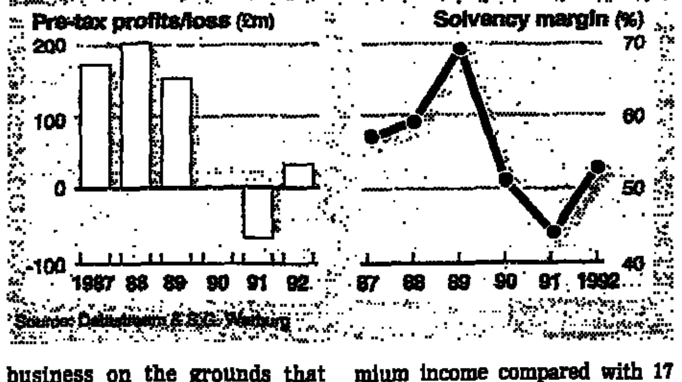
UK insurer plans expansion from £428m rights issue as profits return to the black, writes **Richard Lapper**

Taking on fewer risks to enjoy a healthier future

Commercial Union recovers



Tony Brend: chief executive



Source: Datastream & S.G. Warburg

COMMERCIAL Union, the UK insurance company, yesterday signalled its intention to pursue further expansion in the UK and international general and life markets by launching a £428m ($614.4m) rights issue.

The group also announced a pre-tax profit of £31.4m, compared with a loss of £68.8m, after bringing forward the announcement of its 1992 results by three weeks. CU's results should comfortably exceed its rivals.

Five years ago anyone suggesting that Commercial Union might become the strongest and most profitable UK insurance company would have provoked wry smiles.

In the mid-1980s CU was one of the first UK insurance companies ever to report losses and for much of the 1980s was regarded as the "sick man" of the UK insurance sector.

Yet after yesterday's rights issue Commercial Union has emerged as the strongest and best capitalised of the UK's large insurance companies. Capital and reserves of £1.9bn exceed those of its rivals, including the erstwhile leader Sun Alliance.

"It is a remarkable turnaround in seven or eight years," says Mr Steven Bird, analyst with Smith New Court, the securities house.

Mr Tony Wyand, executive director, who orchestrated yesterday's well-leaked rights issue, said: "We've managed to rehabilitate the company in the eyes of its shareholders."

CU declared a final dividend of 15.1p per share, giving a full dividend for the year of 24.35p, a rise of 3 per cent.

Shareholders were offered one new share for every five ordinary shares at a price of 490p per share. CU's shares, which had lost ground recently, were boosted by the better than expected results, rising 12p to close at 610p.

CU's success reflects the difficulties of its rivals, whose management has been ill-prepared to face one of the deepest downturns in the history of the UK insurance industry. Claims from mortgage indemnity policies will exceed £2bn.

In 1986 Mr Peter Ward, who directs UK business, opted to cut exposure to mortgage indemnity business on the grounds that returns were inadequate. In contrast three companies – Royal Insurance, Sun Alliance and Eagle Star – were blasé about the risks of domestic mortgage indemnity and have been crippled by losses stemming from the crisis in the housing market.

Mr Tony Brend – along with three other executives, Mr Wyand, Mr John Carter and Mr Ward – based their recovery strategy on reducing exposure to higher risk and more volatile lines of business such as commercial insurance.

Instead CU has focused on building less risky life assurance business, especially in mainland Europe. Life premiums now account for 36 per cent of premium income compared with 17 per cent 10 years ago. CU has also reduced its exposure in the US, which now accounts for only 27 per cent of its premiums compared with 50 per cent in 1982.

Mr Wyand took advantage of "time and distance policies" – financial reinsurance policies – to extend the timescale of heavy US liabilities from asbestosis and pollution-related claims.

Heavily burdened by their mortgage indemnity exposure, CU's main rivals are less well positioned to take advantage of the current upturn in rates.

"We are now fully capitalised to take advantage of a once-in-a-generation opportunity in the UK market," says Mr Wyand.

Lex, Page 12; Observer, Page 11

Schneider to sell components arm

By Alice Rawsthorn in Paris

SCHNEIDER, the French electrical engineering and construction group, is in negotiations to sell Jeumont-Schneider, its electronic components subsidiary, to Framatome, the state-owned supplier of nuclear reactors.

The two companies yesterday confirmed that they were in discussions and were finalising the terms of the sale.

The Jeumont disposal is expected to be a complex deal, with Framatome retaining the company's nuclear activities but selling its non-nuclear interests to Alcatel Alsthom, the state-controlled electronics group.

Jeumont produces components for use in the nuclear industry and electrical engineering. It employs 2,000 and had sales of FFr1.6bn ($290m) in 1992. The group has been considerably scaled down since the mid-1980s, notably by the sale of its telephone interests to Bosch of Germany.

The Jeumont sale would include the disposal of its 47.5 per cent stake in Jeumont-Schneider Automation, which specialises in the motor sector. This company, with a workforce of 270, had turnover of FFr230m last year.

The deal would form part of the ongoing divestment programme at Schneider, which is trying to reduce the debt amassed by the acquisition of Square D, the US construction company. Schneider raised FFr1bn from disposals last year, leaving the present level of net debt at around FFr19bn.

However, debt-financing costs contributed to a sharp fall in Schneider's interim net profits to FFr193m in the first half of 1992, from FFr302m in the same period of 1991.

The group has also been affected by the cost of integrating Square D and the problems of Spie Batignolles, its French construction company. CS First Boston forecasts a more moderate fall in Schneider's net profits for the full 1992 year, to FFr272m from FFr275m in 1991.

Framatome has been trying to adjust to the decline in world demand for nuclear reactors. The decision to sell the non-nuclear part of Jeumont to Alcatel, which owns 44 per cent of Framatome, comes as a number of state-owned companies are reshuffling their interests in the run-up to the March elections, after which the next French government is expected to accelerate the privatisation programme.

Thomson expands broadcasting interests

By Alice Rawsthorn

THOMSON-CSF, France's state-controlled defence electronics group, is expanding its broadcasting interests by buying the transmitter, antenna and electron tube businesses owned by ABB Asea Brown Boveri, the Swiss-based power engineering concern.

The deal, for an undisclosed sum, will involve the transfer of companies with combined sales of FFr500m ($93.28m) in 1991.

They include an electron-tube production plant in Switzerland and a joint-venture in Poland, as well as an antenna plant in Germany and a broadcast transmitter unit in Switzerland.

Thomson, which was last year clouded by controversy over its attempt to expand its defence interests by taking over the missiles division of the LTV group in the US, has for some time been keen to augment its broadcast activities, where it services both private and public sector television companies.

The French group already owns electron-tube factories and plants for broadcast transmitters in France and the US.

Thomson said yesterday that the acquisition of the ABB businesses would enable the group to "maintain critical mass and to continue to increase sales through external growth in a contracting market".

The ABB deal is the latest in a number of acquisitions for Thomson-CSF.

The French group has bought a series of businesses over the past three years in order to consolidate its position in specific sectors and to sustain sales growth.

Thomson-CSF last year made sales of $6.2bn.

For ABB, the disposal is part of an ongoing process of shedding peripheral interests.

The Zurich-based group mustered turnover of $28bn last year.

It specialises in sectors such as electro-technology, environmental technology and transport systems.

Investor group plans to take stake in Banesto

By Tom Burns and Peter Bruce in Madrid

Mario Conde: to raise personal stake in Banesto to 4.5%

A GROUP of investors led by JP Morgan, the US investment bank, is to take a stake of between 7 per cent and 10 per cent in Banesto, Spain's third-largest bank, as part of a Pta53bn ($452m) rights issue being prepared by the Spanish bank.

JP Morgan's recently closed $1bn Corsair banking fund, and Mr Mario Conde, Banesto's chairman, will form the core of the investor group.

The US bank has guaranteed that its group will invest $200m in the rights issue.

Mr Conde's inclusion will raise his personal stake in Banesto from 2 per cent to 4.5 per cent.

If the rights issue, one of the largest in Spain, is fully taken up and if Banesto's efforts to sell its affiliate, Banco de Madrid, to Deutsche Bank of Germany, are successful, Banesto will have rid itself of a cloud under which it has been forced to operate for nearly three years.

The bank would fall comfortably within the Bank of Spain's strict guidelines on the relationship between its capital and its exposure to industry.

"This is a lifebelt for the bank," said Mr Juan Bastos, chief executive of the Madrid securities house, Gestemar.

The issue is viewed by some as a bid by Banesto to gain manoeuvrability at a time when it is reducing its profits and seeking to dispose of its industrial assets in a depressed market.

Under the terms of the three-for-one rights issue, JP Morgan will place shares with the investor group at Pta1900 per share.

In all, 35.11m new shares are being offered at a premium of Pta800 per share.

In addition to the increased capital, Banesto would gain an important psychological lift through JP Morgan's endorsement of its business potential.

The investor group is understood to have committed itself to stay with the bank for at least five years, and JP Morgan is likely to be given a seat on the Banesto board.

JP Morgan issued a highly positive report on the Spanish bank before Christmas.

"Morgan is putting its money where its mouth is," one Madrid analyst commented yesterday.

Banesto reported a 27 per cent fall in its net profits during 1992 to Pta45.6bn due to a sharp drop in extraordinary income from disposals.

It was nevertheless able to report a 17 per cent increase in the gross operating profit of its banking business, which totalled Pta119.6bn

Having sold its industrial assets in oil refining and cement in the past two years, Banesto is now seeking buyers for its holdings in Acerinox, the major domestic stainless steel producer, and in Union Carburos, its industrial gases group.

This strategy, which seeks a more reduced and flexible industrial portfolio, complements Banesto's attempts to improve income from its core financial sector.

Gardini and Vender form foods group

MR RAUL GARDINI, the former Ferruzzi chief and Mr Jody Vender, majority owner of Sopaf, the merchant bank, have joined forces to create Italy's third-largest frozen-foods group, writes Haig Simonian in Milan.

The new group, known as Argel, will comprise Finagel, the frozen-foods concern controlled by Sopaf's Invest subsidiary, and Sias, a frozen-foods company owned indirectly by the Grigolini family. It is also expected to work closely with Vital-Sogeviandes, a French meat company owned by Mr Gardini.

The new company could soon expand further with the possible purchase of assets from the state-owned SME foods and retailing concern.

In a complex deal, Invest and Garma, the fast-growing Italian food concern controlled by Mr Gardini and Mr Giulio Malgara, will take 35 per cent each in the new group. Sias will have a 20 per cent stake, while the remaining 10 per cent will be sold to unspecified institutional investors. Garma will have management control.

With sales of about L300bn ($197m), Argel will have around 15 per cent of the Italian frozen-foods market, on a par with the foods business of SME's Italgel subsidiary. Argel has made no secret of its interest in bidding for Italgel's food interests as part of the SME privatisation.

Upbeat forecast from Parmalat sees 1993 sales ahead by 50%

By Haig Simonian in Milan

PARMALAT, the Italian dairy foods group, expects sales to surge by about 50 per cent to L2,400bn ($1.6bn) this year on the back of buoyant internal growth and continuing acquisitions.

The company, which has made a strong recovery since its recapitalisation in 1990, said that turnover in 1992 rose by 21.5 per cent to L1,613bn.

Mr Domenico Barili, director general, said operating earnings had risen by 17.3 per cent to L203bn.

In 1991, Parmalat Finanziaria, the listed holding company, reported net earnings of L42bn. Full 1992 results will not be released until March. However, on the basis of yesterday's figures, analysts forecast net group profits in the range of L50bn-55bn.

Mr Barili said that operating profits should rise by a further 22 per cent to L248bn this year.

Parmalat, around 27 per cent of whose capital is held abroad, expects most of its growth to come outside Italy.

The group is expanding fast in eastern Europe, South America and the US.

In 1992, sales in Europe, excluding Italy, jumped 164 per cent to L66bn.

In south America – principally Brazil and Argentina – sales climbed by 28.7 per cent to L260bn, while US turnover reached L13bn.

All three areas are expected to surge this year, with growth rates of 263 per cent in Europe and 111 per cent in south America.

Sales in the US are forecast to climb almost 15-fold to L189bn.

The forecasts are based on acquisitions that have already been made – such as that of the Fejertej dairy group in Hungary – and two other transactions which have not yet been announced, but are virtually sealed, it said. Italian turnover is forecast to rise by 13 per cent.

Mr Barili stressed that the acquisition-led expansion would not involve a big rise in Parmalat's net debts, which stood at L465bn at the end of December 1992.

Interest charges in 1993 were forecast to edge up to L79bn from L71bn in 1992, while interest costs as a proportion of sales would fall to 3.3 per cent to 4.4 per cent in 1992.

Snecma says it made loss last year

SNECMA, France's state-controlled aero-engine maker, yesterday said it had made a loss for 1992 but did not disclose the size, writes Alice Rawsthorn in Paris.

The company blamed the gloomy economic environment and delays in orders for civil and military aircraft. The group was also in the red in 1991, when it fell into a net loss of FFr67.8m ($12.6m) from net profits of FFr208m in 1990.

Its performance has since deteriorated with a fall in sales to around FFr23bn in 1992, against FFr23.9bn in 1991. Snecma also suffered a FFr3bn decline in the value of new orders from the previous year's total of FFr7.3bn.

The group has already announced plans to step up its cost-cutting programme. It proposes making additional annual savings of FFr500m by reducing stocks and accelerating its research cycle.

These cuts will involve the loss of 650 jobs and 20 days of temporary lay-offs this year.

● Michelin, the world's largest tyre manufacturer, reported a 1.2 per cent decline in turnover to FFr66.8bn in 1992, from FFr66bn in 1991. The group said it had been affected by sluggish demand and exchange rate changes.

Michelin, which returned to the black with net profits of FFr820m in the first half of 1992, against a net loss of FFr1.06bn in the same period of 1991, is already implementing a long-term rationalisation programme.

Ferruzzi tightens hold on Fondiaria

By Haig Simonian

FERRUZZI, the Italian industrial group, yesterday tightened its management hold over Fondiaria, the Florentine insurer that it jointly controls.

At the same, Ferruzzi – which has debts of more than L10,700bn ($7bn) – responded to speculation that it would dispose of Fondiaria in order to reduce its borrowings by stressing that the company was not for sale.

The announcement followed a board meeting at the troubled insurance company, which saw the resignation of Mr Alfonso Scarpa, its long-standing managing director, and the appointment of Mr Carlo Sama, a senior Ferruzzi executive and husband of one of the Ferruzzi heiresses, as Fondiaria's new chairman.

Mr Sama replaces Mr Camillo De Benedetti, the Italian financier and cousin of Mr Carlo De Benedetti, who died last month. Mr Camillo De Benedetti shared control of Fondiaria with Ferruzzi through Gaic, a quoted holding company.

Ferruzzi's financial difficulties and Fondiaria's waning profitability have led to speculation that part or all of the insurance operation may be sold. However, Mr Sama said he considered Fondiaria "Ferruzzi's life insurance, and . . . one doesn't sell life insurance".

Fondiaria, which appointed Mr Arrigo Bianchi di Lavagna as its new managing director, gave no indication of how it planned to improve earnings. Its financial performance has deteriorated as a result of difficulties in the Italian insurance sector and setbacks in its own ambitious expansion policy.

Fondiaria's biggest problems have arisen in Germany, where it owns 20 per cent of Aachener und Münchener Beteiligungs, the big insurance group in which Assurances Générales de France is now the major shareholder.

Mr Bianchi di Lavagna, an experienced insurance and banking executive, was previously managing director of Unione di Riassicurazione, the reinsurance company owned by leading Italian insurers. No indication was given of Mr Scarpa's future plans.

INTERNATIONAL COMPANIES AND FINANCE

Baby Bell agrees to buy two cable TV companies

By Martin Dickson in New York

SOUTHWESTERN Bell, one of the seven Baby Bell regional telephone companies in the US, has agreed to buy two cable television systems in suburban Washington DC for $650m – a move which marks a dramatic escalation of the battle between telephone and cable industries to bring communications into the 21st century American home.

Southwestern Bell is the first US telephone company to try to buy control of a US cable television company and its move could set off a scramble by other telecommunications companies.

However, the purchase requires regulatory approval from the Justice Department, the Federal Communications Commission and Judge Harold Greene, who has overseen the Baby Bells since they were split off from American Telephone & Telegraph in a 1984 anti-trust court settlement. Clearing all these fences could take Southwestern Bell a very long time.

The seller of the two systems is Hauser Communications, a privately owned company.

Southwestern Bell provides local telephone services in Texas and other southwestern states. It is barred from owning a cable company there, under 1984 cable legislation which bars any local telephone company from owning a cable business in its core operating area.

Southwestern Bell already owns a cellular telephone franchise in the Washington area and could eventually try to link this into its cable system. This would mean a competitive challenge to the Baby Bell which provides normal, wired telephone services in this area, Bell Atlantic.

Southwestern Bell already has experience in the cable industry, since it owns and operates a system in Britain and has interests in others in Israel.

The US cable and telecommunications industries are jostling for position as America prepares for an explosion of information delivered to the home, ranging from movies-on-demand to video telephone calls.

Just a few weeks ago Time-Warner, one of the largest cable companies, announced plans for the most ambitious multi-media home service yet launched on a commercial basis, combining both entertainment and telephony, which it aims to introduce in Florida.

Mr Edward Whitacre, chairman of Southwestern Bell, said the Washington cable purchase was "in the right industry, in the right place at the right time".

A&P target of NY state pension fund campaign

By Martin Dickson

THE Great Atlantic & Pacific Tea Company, the US supermarket group majority owned by Germany's Tengelmann retailing group, is to be the first company targeted by New York state's large pension fund in a campaign against poorly performing management.

New York's move represents a significant advance by the US movement for better corporate governance, which seeks to give shareholders a greater say in the affairs of companies with weak results.

Until now, action by institutional investors against such companies has been led most vociferously by the $71bn California Public Employee Retirement System. New York is becoming more publicly aggressive as it has developed a computer-based system to track the financial performance of top US companies.

Mr Edward Regan, Comptroller of New York state, said the $56bn pension fund would vote against the election of A&P's slate of directors at its annual meeting in July.

It would also seek the support of other shareholders for an amendment to the company's by-laws which would force it to include in its annual proxy or shareholder voting material statements from large shareholders wishing to comment on the group's performance. The fund owns 260,000 of A&P's 38.2m shares outstanding.

Tengelmann's 53 per cent ownership of the chain means New York's campaign cannot succeed without the support of the German company, and this seems unlikely. But the state's stance, if followed by other institutions, could send a powerful message of shareholder dissatisfaction.

Fourth-quarter advance at EDS

By Karen Zagor in New York

ELECTRONIC Data Systems (EDS), the computer services subsidiary of General Motors, yesterday unveiled a 14 per cent rise in fourth-quarter net income to $178m from $155.9m a year earlier.

Earning's per share were 12 per cent higher at 37 cents against 33 cents, while revenues were up 2 per cent at $2.14bn from $2.09bn.

On Wall Street, shares in General Motors' class E stock, whose value is tied to EDS's performance, rose $⅛ to $34⅛ at mid-session. The stock climbed above $35 earlier this year on rumours that British Telecom might be discussing buying a stake in the business.

The results met analysts' expectations.

For the whole of 1992, EDS earned $635.5m, or $1.33 a share. A year earlier, net income stood at $547.5m, or $1.14, including a charge of $15.5m, or 3 cents for accounting changes. Revenues reached a record $8.22bn from $7.1bn in 1991.

EDS, which was founded by Mr Ross Perot and acquired by General Motors in 1984, is relying less on business from its GM parent. EDS said revenues from non-GM sources grew to more than 59 per cent of its total revenues.

● General Motors Acceptance Corporation (GMac), General Motor's large financial services arm, posted net income of $936.1m for 1992, including charges on the adoption of new accounting standard SFAS Number 106.

In 1991, the company reported net income of $1.37bn, including $331.5m gains from the adoption of SFAS Number 109 and after-tax charges of $170.9m for a special wholesale loss provision.

Stripping out one-time items, Mr Robert O'Connell, GMac's chairman, said 1992 net income stood at $1.24bn against $1.21bn in 1991 on a comparable basis. "Importantly, GMac's 1992 performance was achieved in a year of challenging events and significant change for the GMac worldwide organisation," he said.

Income from GMac's financing operations was $1.03bn, down slightly from the $1.04bn earned a year earlier. During the year GMac financed or leased 33 per cent of new GM vehicles sold in the US against 35 per cent in 1991. The number of new cars and trucks financed or leased by GMac slipped to 1.6m from 1.7m last year in the US.

Air Canada forecasts deficit of C$200m

By Robert Gibbens in Montreal

GLOBAL recession, domestic overcapacity and heavy Canadian fuel taxes will bring a C$200m (US$156.7m) loss for Air Canada this year, Mr Hollis Harris, chairman, said yesterday.

The country's biggest airline, locked in a competitive struggle with rival Canadian Airlines and the small Nationair, will also reveal next week that 1992 will show a record deficit. In the first nine months a net loss of C$307m was incurred after special charges, following losses of C$218m for 1991.

Mr Harris told the Canadian Commons transportation committee his airline would break even on an operating basis in 1993 but this was before financial and special charges. It should return to overall profitability in 1994 with the full impact of manpower cuts and cost reduction programmes.

He said Air Canada had sufficient cash to complete its bid for 25 per cent of Continental Airlines of the US and he was confident the alliance would be approved by the US authorities. He said forming one Canadian carrier was the solution to the Canadian airline industry's woes and he held out the possibility again of a merger with PWA, parent of Canadian Airlines.

US insurers report heavy losses

By Patrick Harverson in New York

AETNA Life & Casualty and Travelers, two of the largest composite insurers in the US, yesterday reported heavy fourth-quarter losses, following a variety of special charges both companies had announced last week.

Travelers incurred the bigger loss for the final quarter of 1992 – $589m, compared with a profit of $69m a year earlier – in the wake of several charges, including: $485m to cover a $735m addition to property and mortgage loan reserves; $59m for costs linked to Hurricane Andrew; and $79m related to litigation and assesments for industry guarantee funds.

The large quarterly loss meant that Travelers reported a deficit of $658m for all of 1992, compared with a profit of $318m in 1991.

Apart from the charges outlined in the fourth quarter results, the insurer had taken other charges earlier in the year to cover the cost of meeting Hurricane Andrew claims and to pay for a corporate restructuring. Separately, Travelers last year booked a $170m one-off gain related to the adoption of two new accounting standards.

At Aetna, the fourth-quarter loss totalled $192m after the company took a $180m charge to boost reserves for asbestos and environmental claims. In the same quarter last year, Aetna recorded a net profit of $93m. For all of 1992, the insurer reported net income of only $56m, down sharply from the $505m profit made in 1991.

Aside from the charges, Aetna said its fourth-quarter and full-year results were affected by high catastrophe losses, poor workers compensation results, depressed commercial property values, and continued soft pricing conditions in its main domestic insurance markets.

The one bright spot was the company's health business, although even there Aetna's 1992 earnings were well down on the previous year.

Because the special charges and quarterly losses had been well flagged in advance, the stock markets displayed little reaction to the news from Travelers and Aetna.

Sears, Roebuck to cut dividend for final period

SEARS, Roebuck, the heavily loss-making US retailer, has cut its dividend for the first time in 60 years, with a 10 cents a share cut in the fourth-quarter payout to 40 cents, Reuter reports from Chicago.

On Tuesday the company reported a loss of $10.72 a share for 1992, down from a profit of $3.71 the year before. Analysts said the widely anticipated cut would save about $140m a year.

Sears said the move reflected the strategic repositioning of the company, including the spin-off of Dean Witter, its securities brokerage and investment banking unit and Discover, its credit card business, expected to take place in the middle of 1993.

Molson held back by weak beer market

By Bernard Simon in Toronto

MOLSON Companies, the diversified Canadian brewer, suffered a 24 per cent setback in its latest quarterly earnings, largely as a result of a weak beer market, retaliatory duties on beer imposed by the US and the costs of converting to a new beer bottle.

Net earnings fell to C$25.3m (US$20m), or 42 cents a share, in the three months to December 31, the third quarter of the company's fiscal year, from C$33.4m, or 59 cents a share, a year earlier.

Revenues rose to C$769.8m from C$723.3m.

The negative factors were partially offset by C$4.9m in fees received from the North American ice hockey league, one of whose teams is owned by Molson.

Nine-month earnings fell to C$100.1m, or C$1.68 a share, from C$A 110.4m, or C$1.97 a share.

The company said yesterday that the decline in earnings for the year as a whole was likely to be 10 to 12 per cent.

Molson, whose non-brewing interests include cleaning services and a retail hardware chain in Canada, said that its businesses are still being hurt by the recession.

Operating earnings of Molson Breweries, a joint venture with Foster's Brewing of Australia, fell to C$135.3m from C$143m.

Total beer sales in Canada dipped by 3.6 per cent in the nine months to last December and Molson's market share slipped to 50.2 per cent from 51.9 per cent a year earlier.

Its share rallied to 50.4 per cent in the latest quarter.

Molson said its alliance with Miller Brewing of the US, announced last month, is expected to be finalised in early April.

Under the deal, Miller will acquire 20 per cent of Molson Breweries from the existing partners.

It will also gain marketing and distribution rights for Molson and Foster's brands in the US.

Molson expects to receive about C$180m for its part of the sale.

Chrysler raises $2bn from stock issue

By Karen Zagor

CHRYSLER, the US vehicle manufacturer, has raised more than $2bn after selling 52m shares at $38¾ each in the second biggest public common stock issue by a US company.

The company exercised a "green shoe" option – or stabilisation provision – to buy an additional 6m shares, swelling the offer size by 30 per cent from the original plan of 40m shares.

On Wall Street, shares in Chrysler firmed $⅛ to $39⅞ at midday yesterday.

The company has indicated it will use at least half the funds raised to cut its $3.9bn underfunded pension obligations.

Metallgesellschaft plans DM1bn in non-core disposals

By David Waller in Frankfurt

METALLGESELLSCHAFT, the Frankfurt mining and industrial conglomerate which has in recent years been one of Germany's most acquisitive companies, is now planning large-scale disposals.

Mr Heinz Schimmelbusch, chief executive, told analysts yesterday the group plans to make disposals to raise around DM1bn ($606m) over the next two years.

At the same time, capital investment is to be scaled back by 40 per cent to DM1bn for the current year.

He gave no indication of which companies were for sale, apart from saying they would be non-core businesses and would not include any famous names. This rules out Buderus – the heating products company which now has a separate listing on the German stockmarket – or any of the other industrial companies acquired last year from Stora of Sweden in a DM1.45bn acquisition.

A list of potential sales targets has been drawn up, but a final decision on which of the group's 258 subsidiaries are to be sold has yet to be taken.

Mr Schimmelbusch indicated that the group would be reducing the workforce – which rose through acquisitions from 38,173 to 62,547 over 1991-92 – during the the course of the year. But he gave no details of how many jobs would be cut and in which divisions.

The disposals programme is a reaction to difficult market conditions for the Metallgesellschaft group. In the year to the end of September, group pre-tax profits fell 23 per cent to DM245m. This is the second successive year that profits have declined sharply against a background of falling metal prices and difficulties in the car components sector, which have meant that the group's Kolbenschmidt subsidiary lost DM88.6m last year before tax. Group sales last year fell 21 per cent to DM25.6bn.

Analysts estimate that the group's net debt stands at DM2.1bn, compared to equity of DM3.7bn. The group's market capitalisation is DM2.9bn.

Mr Schimmelbusch said that trading in the first four months of the current year was at the same, unsatisfactory level as in the previous year. The central problem was low base metal prices – afflicted by cheap imports from eastern Europe.

● Kaufhof, the large German retail group, yesterday reported that sales rose by 13 per cent in 1992 to DM20.3bn, up from DM18bn a year earlier.

The company said the sales growth reflected its strategy of expanding into high-growth niche-retail markets, a segment of the business which accounted for 27 per cent of group sales, up from 23 per cent in the previous year. Department store sales accounted for 47 per cent of the total, down from 53 per cent.

French insurers' profits plunge under pressure

Alice Rawsthorn on how the fall in earnings might affect the prospects for privatisation

FOR MONTHS France's large insurance groups have made no secret of being under pressure. But it was only on Tuesday when the usually optimistic Mr Claude Bébéar, chairman of Axa, addressed analysts in Paris that it was clear just how heavy the pressure had been.

Axa, the second largest French insurer, not only announced a sharp fall in net profits to about FFr1.5bn ($268m) in 1992 from FFr2.4bn the year before. It also said that it was raising FFr3.65bn in a convertible-bond issue to recapitalise Equitable Life, its US associate.

Later that day, Union des Assurances de Paris (UAP), France's biggest single insurer, revealed its 1992 net profits had plummeted to about FFr1.15bn, from FFr3.8bn in 1991. Analysts are now steeled for more gloomy figures when Assurances Générales de France (AGF) and the GAN Group publish their 1992 results.

French insurers are operating in intensely competitive conditions as the economic slowdown is making it more difficult for them to pump up profits with asset sales as they did in 1991, when all the "big four" would otherwise have been in the red.

These problems could scarcely have come at a worse time. France's insurance industry has hit the doldrums just as the three state-controlled companies – UAP, AGF and GAN – are preparing to be privatised by a future French government after next month's elections.

Claude Bébéar: Optimism buckled in face of grim figures

Even the most optimistic French insurers are resigned to another set of lack-lustre results this year. The economy is unlikely to show any signs of recovery at least until the second half, assuming that the franc stabilises and interest rates come down.

In the meantime, the industry faces the same problems that beset it last year. Competition remains intense both in terms of the number of players in the market and pressure on tariffs. The economic squeeze has produced a predictable increase in the number of claims, including suspected false claims, and continues to depress the value of the insurers' industrial portfolios.

Moreover, the property market shows no sign of recovery. This affects the insurers in two ways. First, they face another year of high provisions. Second, their asset sales will again be too low to compensate for poor operating profits and hefty provisions.

The Paris stock market is rife with rumours about the insurers selling properties to each other, allegedly at inflated prices.

In the short term, this cushions them against the slump and helps prop up the market. But, in the long term, they will have to carry those properties on their books.

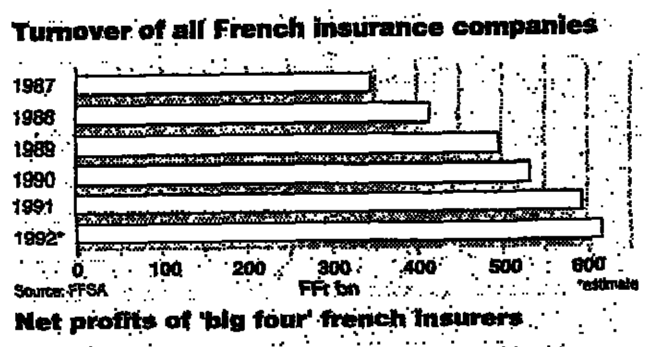
The industry's future is more reassuring. The FFr240bn life market should be boosted by the forthcoming reform of French pensions, which is expected to supplement the state system with private pension plans.

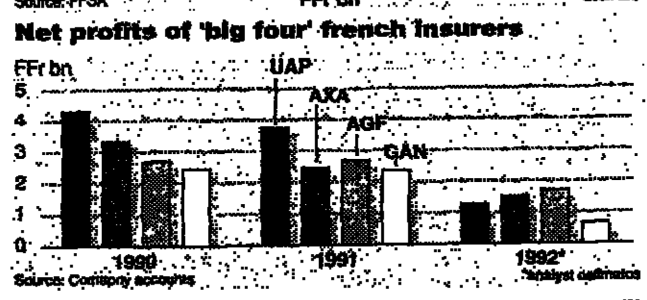
Meanwhile, competition appears to be easing in the FFr200m non-life sector as the growth of the *mutuelles*, which sell insurance to specialist groups of employees, peaks. There are also signs of tariffs rising in certain sectors, notably motor insurance.

The general economic recovery should alleviate the pressure on the stock market and on residential property – although it is expected to take at least three years for the over-saturated commercial property market to recover.

French insurers should also start to benefit from their international expansion in the early 1990s.

Axa is expected to receive more substantial contributions from Equitable Life in the US.





AGF now owns a substantial stake in AMB, the German insurer, after a complex transaction last year.

UAP has invested in Germany via its holding in Nordstern, although it is smarting from its failure to buy a stake in Colonia from Victoire, the insurance subsidiary of the Suez industrial group.

These developments should ensure that the large French insurers stabilise profits this year and secure moderate growth next year. "We can't hope for much from any of the big French insurers in 1993," said Mr Michael Huttner, European insurance analyst at BNP Securities in London. "But we can expect to see a gradual recovery from 1994 onwards."

The critical question is whether this improvement will come in time to enable the next French government to sell all, or part, of its shares in UAP, AGF and GAN.

All three are eager to enter the private sector, where they would be free to raise capital from the markets and would not be barred, as state-controlled companies, from investing in the US. The centre-right alliance, favoured to win next month's poll, plans to privatise them as quickly as possible.

The consensus among analysts is that all three companies are saleable despite their present problems. "The market loves a recovery story," said one. "The only problem for the French government is judging how the 1992 and 1993 figures will affect the price."

Record loss of $1.3bn at Ford of Europe

By Kevin Done, Motor Industry Correspondent

FORD'S European automotive operations made a record loss last year of $1.3bn compared with a loss of $1.079bn in 1991.

The loss was largely incurred by Ford's operations in Britain, including Jaguar, the UK car maker.

The loss in Europe included a $419m one-off charge for restructuring, while adverse currency fluctuations added exchange rate losses of more than $200m.

Ford of Europe announced late last year that it was planning to cut more than 10,000 jobs by the end of 1993.

The workforce of its European automotive operations, excluding Jaguar, had already been cut by 19 per cent from 115,000 in 1990 to 93,000 late last year and the total is set to fall to 83,000 by the end of 1993.

Jaguar, which was taken over by Ford at the end of 1989, said that its loss last year was little changed under US accounting rules at $394.9m compared with a loss of $402.2m in 1991.

Under UK accounting rules the loss was cut to £189.5m ($286m) from £226.2m a year earlier. The Jaguar workforce has also been sharply reduced to only 6,481 at the end of 1992 from 7,520 a year earlier and 11,661 at the end of 1990.

Jaguar's retail sales worldwide fell last year by 12.4 per cent to 22,478 – the lowest level since 1982, while production dropped last year by 10.5 per cent to 20,593 – the lowest level since 1981.

The UK car maker is expecting some recovery in its fortunes this year, however, with a forecast increase in sales of 25 per cent worldwide led by stronger demand in the US.

Jaguar sales in January were 25 per cent higher than a year ago helped by a 30 per cent rise in its sales in the US, its most important market.

Mr David McCammon, Ford vice-president for finance in the US, said that most of the group's European automotive losses stemmed from Ford of Britain and from Jaguar.

Ford, the leader of the UK new car market, has suffered heavily during the recession and its UK sales fell again last year by 8.4 per cent, depressing its UK market share to only 22.2 per cent from 24.2 per cent a year earlier.

The loss of $1.3bn incurred last year by Ford's European automotive operations, including Jaguar, followed a net loss of $1.079bn in 1991, and net profits of $145m in 1990 and $1.19bn in 1989.

The losses in Europe more than accounted for Ford's total automotive losses last year outside the US of $1.1bn.

Ford's European car production fell by 6.9 per cent last year to 1,459,792, although its output of light commercial vehicles rose by 9.5 per cent to 226,547 helped by the launch of the Fiesta Courier van.

The Ford group has fallen to fifth place in the west European new car market.

Turnover up but Sunbop earnings fall to R136.5m

By Phillip Gawith in Johannesburg

SUN International Bophuthatswana (Sunbop), the South African gaming and leisure group, yesterday announced a 3 per cent fall in taxable profits to R136.5m ($43.7m) in the six months to December, down from R141.4m a year earlier.

This was in spite of a 15 per cent increase in turnover by Sunbop, whose hotels are all located in the Bophuthatswana homeland, to R556.4m from R483.4m.

Mr Sol Kerzner, chairman, attributed the revenue performance, achieved in the face of an "extremely poor economic environment", to having the benefit of its new Carousel resort for the full six months. The opening of the R830m Lost City project in December, amid saturation media coverage, also boosted turnover.

Average occupancies at the company's hotels, however, dropped to 72 per cent from 78 per cent the previous year, and this put pressure on margins, leading to the lower profits.

Earnings per share dropped to 93 cents per share, from 96 cents a year earlier, because of an increased number of shares in issue. The interim dividend was maintained at 64 cents a share.

Imasco extends its penetration of US

By Robert Gibbens in Montreal

IMASCO'S financial services unit, through a US subsidiary, is buying US$660m in deposits and 18 branches in the Rochester and Buffalo areas from two New York-based savings and loan companies.

The acquisitions, from Anchor Savings Bank and Dime Savings Bank, will raise the indirect Imasco subsidiary's network in the north-eastern US to 86 branches and an asset base of well over US$5bn. Market share in the expanding Buffalo, NY, market will rise to 6 per cent.

Imasco owns Canada's largest trust company, Canada Trustco, through CT Financial Services, and the US subsidiary is First Federal Savings and Loan, based in Rochester and acquired by CT in 1991.

Imasco would not reveal the price paid for both deals but it said First Federal is not acquiring any loan portfolios.

The deals are part of Imasco's financial services expansion in the US north-east.

● Abitibi Price, the big newsprint producer now owned by creditors of Olympia & York Developments, is raising C$150m (US$119m) with an issue of convertible debentures. The proceeds will be used to reduce long-term debt.

Nouvelles Frontières surges 42% to buck sector trend

By Alice Rawsthorn in Paris

NOUVELLES Frontières, the French travel company, bucked the slump in the holiday industry by increasing its net profits 42 per cent to FFr161m ($30m) in its last full financial year.

The group is number two in the French holiday market after Club Med, having raised turnover by 12 per cent to just over FFr5bn in the year to September 30, from FFr4.46bn. Mr Jacques Maillot, chairman, said that sales had grown faster in the first four months of the current year.

Mr Maillot said the company had managed to overcome the financial pressures of the economic slowdown by keeping tight control of its interests.

The company, he said, planned to continue to pursue its policy of remaining independent of other institutions.

INTERNATIONAL COMPANIES AND FINANCE

Toyota plunges 22% at halfway as sales improve

By Charles Leadbeater in Tokyo

TOYOTA, Japan's leading vehicle manufacturer, yesterday reported a 22.3 per cent drop in pre-tax profits for the six months ended December, partly because of lower interest income and exchange rate losses.

Toyota's sales were Y4,564bn ($37bn), up just 2.9 per cent on the comparable six months of 1991. Pre-tax profits were Y46.5bn lower at Y162bn, operating profit was 24.4 per cent lower at Y58.2bn and net income was 30 per cent down at Y72.3bn. It was the third successive year of declining profits.


Shoichiro Toyoda: rundown in cash reserves to continue

The deterioration in Toyota's finances has prompted a sharp rundown in cash reserves. These have fallen from Y1,482bn at the end of July, 1992 to Y943bn at the end of December. The company also sold about 37.5 per cent of its stock of marketable securities, which stood at Y104bn in August.

The fall seems likely to continue as about Y190bn of equity warrants falls due for redemption this June. The company, under the stewardship of chairman Mr Shoichiro Toyoda, said it was exploring a variety of ways to finance the redemption of the warrants.

Toyota blamed most of the 24 per cent fall in operating income on adverse foreign exchange movements worth Y30bn, rising personnel costs worth Y20bn and Y30bn due to the fall in sales. Interest and dividend income fell by Y34bn to Y89bn, largely because of the fall in Japanese interest rates and the sale of securities.

Although sales were up by 2.9 per cent, the cost of sales rose by 4.2 per cent to Y4,172bn.

Overseas operations are playing an increasingly important role in bolstering performance. Although vehicle sales were virtually flat at Y3,004bn, this was largely because a Y75bn fall in domestic sales to Y1,698bn was offset by a Y78bn increase in overseas sales.

Standard Bank to lift payout after 22% rise

By Philip Gawith in Johannesburg

STANDARD Bank, one of South Africa's two largest banking groups, yesterday announced a 22 per cent increase in attributable income to R625m ($200m) for 1992 and said it plans to pay a higher dividend.

After taking account of a rights issue, scrip dividends and an acquisition issue, earnings per share were 17 per cent up at 593 cents. The overall dividend is going up by 17 per cent to 187 cents per share.

The bank said favourable interest margins and asset growth were the main reasons for the upturn.

Net interest income rose by 27 per cent to R2.58bn. This reflected improved margins – the high level of liquidity in the system caused the cost of funds to drop – and a 21.4 per cent increase in loans, advances and acceptances.

The increased level of advances was the main contributor to the 26.8 per cent increase in assets, to R63.9bn.

Mr Eddie Theron, managing director, said asset growth was strongest in home loans, which increased by 49 per cent to R11.9bn.

Standard Bank of South Africa lifted its net income by 31 per cent to R506m and Standard Merchant Bank increased profit by 21 per cent to R43m.

Bad debts remained at the high level of 1991 and operating costs rose by 29 per cent owing to spending on new foreign operations, staff training, product development and electronic systems.

Mr Theron said favourable interest margins in 1993 would allow increased earnings, but at a lower rate than in 1992.

● Mr Bob Aldworth, the executive director of ABSA who was sacked earlier this week, has admitted in an affidavit that he owes the banking group R414,000.

Mr Aldworth had hoped ABSA share options he holds would rise in value sufficiently to allow him to repay the debt. This has not taken place.

Chinese candidates line up for HK listing

Simon Davies looks at the flotations which will add a new dimension to the colony

This year some of China's largest state-run industries will be listed on the Hong Kong stock exchange, adding a new dimension to a stock market that has long been driven by local political and property influences.

The potential for Hong Kong is enormous, and the pull for advisers has been similarly compelling. More than 40 merchant banks have lined up to fight for the mandate for the flotation of just one of the companies, Qingdao Brewery, which produces one of China's best-known exports, Tsingtao beer.

Shanghai Petrochemical, which is the largest and probably the first of the flotations, is set to raise as much as HK$3bn (US$388m). In total, analysts believe the nine short-listed companies will raise more than HK$7bn.

If successful, there is an enormous supply of further candidates from among the country's financially stretched state industries, which are keen to tap international capital flows by developing a strong Chinese element to what will in five years become a Chinese-owned stock market.

However, there are sizeable obstacles to be overcome before these Chinese flotations can be smoothly launched in Hong Kong. Not least of these is a need for re-education of the companies' management.

Only recently, Chinese company directors would have been jailed for releasing commercial information to foreigners. Now they are going to be obliged to provide even more detailed disclosure than under the old state system.

Management freedom comes at a high price. It will have to cope with the dislocation of facing up to market forces and having responsibility to a new body of shareholders. This compares with the undemanding quota systems that they are used to.

Potential investors will also need educating, as these companies represent an entirely new business concept. "These corporations are like industrial revolution style company towns, where everyone owes their soul to the company store," said one merchant banker.

Shanghai Petrochemical, China's sixth largest petrochemical company, is an entire city. The company oversees everything from the law courts to the fire service, and employs an estimated 63,000 people. The general manager is like a mayor, and drives around "his" city with a red flashing light on the top of his car.

Merrill Lynch was awarded the role of global co-ordinator for the flotation, but despite having a June target for the public offer, there is no decision yet as to what can actually be listed. It is clear that the corporation's social responsibilities will be unacceptable to a new shareholder base, but an alternative structure has yet to be conceived.

Senior representatives of the Hong Kong stock exchange met China's Securities Committee – the new regulatory body for China's capital markets – in Nanjing this week to wrestle with some of the technical problems presented by the listings.

CHINESE CORPORATIONS TO BE LISTED

	Employees
Shanghai Petrochemical	63,000
Yizheng Joint Corporation of Chemical Fibre	19,000
Kunming Machine Tool	25,000
Guangzhou Shipyard	8,000
Qingdao Brewery	2,700
Maanshan Iron and Steel	100,000
Dongfang Electric	3,000
Tianjin Bohai Chemical	29,000
Beijing Renmin Machinery	5,600

Source – Sinoprospor International

One international corporate lawyer pointed out that a Chinese enterprise has to complete a share offering in order to become a separate legal entity.

As a result, some issues of B shares – shares available only to foreign investors – on the Chinese stock markets have been for companies that did not legally exist during the subscription period. The Hong Kong stock exchange will want to address this.

The Chinese government wants all nine industrial companies to be listed by the end of the year, and there is already rumoured to be a second batch of 12 companies ready for flotation in early 1994.

"When the Chinese top leaders want to do something, they put a lot of effort into it and they get it done very quickly," said Mr Tommy Wong, of Kwan Wong Tan & Fong, a local accountancy firm which is handling two of the Chinese flotations.

Accountants agree that the process is aided by the level of detail in state company records. As Mr Wong says: "They shoot people for economic crimes."

However, translating Chinese accounting systems into a set of internationally accepted accounts is proving complex, with major differences in the treatment of equity accounting, foreign exchange translation, and stock-taking. The revised accounts will bear little resemblance to the current profit claims of the companies.

But an unprecedented number of merchant banks are prepared to take up the challenge. Corporate financiers have been cutting documentation fees to the bone in order to fight for mandates, which are due to be announced before the end of February.

Mr Ambrose Lam, managing director of corporate finance at Standard Chartered Asia, said: "It is recognised not to be very profitable, but it is worth it to get the recognition, and hopefully to have a better chance with the next batch of issues."

The Securities Committee is taking an active role throughout. The committee is led by Zhu Rongji – a member of the Communist party's most powerful decision-making body – which emphasises the importance that China is attaching to this programme.

The committee has decided to focus on Chinese incorporated listings in Hong Kong, rather than allowing companies to incorporate and be floated further afield – such as the New York listing of Brilliance Automotive.

Beijing must be heartened by the fact that the HK$403m offer for Hong Kong registered Denway Investments, the Chinese car manufacturer, is understood to have attracted more than HK$200bn in subscription funds.

The response suggests a quite extraordinary level of demand for China shares in Hong Kong. The use of leading international houses such as Merrill's will enable future issues to tap an even broader investor base.

The managing director of a local corporate finance house said: "Knowing the pent-up demand by Chinese companies for capital, it would be inconceivable that they would float less than 20 state companies per year, after the first batch. Therefore they understand the importance of getting it right first time."

Westpac stake disposal ends cross-shareholdings

By Bruce Jacques in Sydney

WESTPAC Banking Corporation yesterday pulled out of the last of its significant cross-shareholdings with Australian banking colleagues when it sold a 5.6 per cent stake in Perth-based Challenge Bank for about A$15m (US$10m).

This followed Monday's sale of Westpac's shareholdings in both the ANZ Banking Group and the Bank of Melbourne for a total of about A$260m. The sales are part of an asset disposal programme.

● FAI Insurances, the financial services group, cut its after-tax loss from A$17.2m to A$6.5m in the December half on a marginal revenue rise from A$513.5m to A$521.8m.

FAI said the result reflected a reduction in underwriting loss from A$49.8m to A$21.8m. It forecast a small loss for the full year to June, 1993.

Commonwealth Bank climbs 5% on lower write-offs

By Bruce Jacques

COMMONWEALTH Bank of Australia yesterday reported a 5 per cent improvement in operating profits for the six months ended December, confirming that it has managed to steer clear of the worst of the problems besetting some of Australia's big banks.

The bank, 70 per cent owned by the Federal government, is holding the interim dividend steady at 20 cents a share after an increase in operating profit from A$225.1m to A$236.4m (US$158.2m) for the six months.

In contrast to rivals like Westpac and the ANZ Bank, Commonwealth got through the six months with reduced bad debt write-offs, no property provisions and slightly lower problem loans on its books.

The bank reduced its charge against profit for bad and doubtful debts by 14.5 per cent to A$346.5m while gross non-accrual loans carried eased by 1 per cent to A$3.69bn. A further less serious problem loan category, reflecting loans in arrears, fell from A$1.23bn to A$974.7m.

Mr David Murray, managing director, said valuations of the bank's commercial property portfolio, covering exposures of about A$7.2bn, indicated that no further provisioning was necessary.

The performance allowed the bank to improve its risk weighted capital adequacy ratio from 10.02 to 10.66 per cent, comfortably exceeding the Reserve Bank's minimum 8 per cent requirement. The bank's total assets eased from A$88.9bn to A$88.3bn.

Mr Murray said a key reason for the bank's improved earnings performance was a a 3.6 per cent fall to A$1.47bn in operating expenses. The bank reduced its staff by just over 5,000 to 44,174 in the half.

"Further falls in operating expenses will be achieved as the integration of the former State Bank of Victoria is completed," he said. "The banking industry is likely to experience continuing low demand for credit which, combined with the low household savings ratio, will maintain pressure on margins.

By far the biggest contribution to the bank's profit came from banking operations, up 1 per cent to A$212.7m. Commonwealth's finance arm, CBFC, remained profitable, more than doubling its contribution to A$23.7m.

Treasuries firm ahead of second tranche of refunding auction

By Patrick Harverson in New York and Sara Webb in London

US Treasury prices firmed across the board yesterday as the bond market awaited the second tranche of the government's refunding programme.

By midday, the benchmark 30-year government bond was up ⅛ at 105⅜, yielding 7.179 per cent. At the short end of the market, the two-year note was also slightly higher, up 1/32 at 100⅛, to yield 4.183 per cent.

GOVERNMENT BONDS

After Tuesday's successful three-year note sale, sentiment about the afternoon's auction of $10.75bn in 10-year notes was generally positive.

At the start of the week, analysts had worried that the three-years would be the hardest sell, so having got what was believed would be the trickiest part of the refunding out of the way, the market bid up prices yesterday morning, confident that the 10-year sale would go smoothly.

The final leg of the Treasury auctions comes later today, when $9.25bn of 30-year bonds will be put up for sale.

■ ITALIAN government bonds fell a point on political worries as news emerged in the afternoon that Mr Claudio Martelli, the justice minister, had resigned from the government.

The BTP futures contract fell a point to 95.90 by late afternoon, having settled at 96.89 on Tuesday.

Mr Martelli, a socialist, is under investigation on corruption charges. He is the first minister to be brought down by the Milan corruption scandal which broke a year ago.

Dealers said the bond market tumbled on fears that Mr Martelli's resignation might damage Italy's four-party coalition government.

■ SPANISH government bonds ended firmer after Tuesday's profit-taking, with buying interest concentrated on the short end.

Yields fell at yesterday's Treasury bill auction. As expected, the yield on one-year Treasury bills fell to 12.536 per cent from 13.041 per cent.

■ THE German government bond market closed firmer, helped by good domestic buying yesterday.

The Liffe bund futures contract rose from 93.18 at the opening to trade at around 93.35 by late afternoon.

The results of the Bundesbank's keenly watched securities repurchase tender, announced yesterday, had little effect on the bund market.

The Bundesbank accepted DM62.5bn of bids for 14-day and 28-day securities repurchase agreements, allocating net new liquidity of DM3.9bn.

The lowest minimum rate at the repo fell 7 basis points to 8.50 per cent. Dealers said the rates at this week's repo – the first since last Thursday's cut in the Lombard and discount rates – were in line with expectations.

■ BELGIAN government bonds saw another volatile day, with prices ending just above the day's lows in spite of a firmer franc.

The franc started to firm against the D-Mark after the central bank raised a money market interest rate, the end-of-day rate, from 8.80 per cent to 9.30 per cent.

The Belgian government bond market came under pressure earlier this week on worries about currency, the political situation and the government's large borrowing requirement.

■ UK government bonds closed higher, with the futures market out-performing cash bonds. The Liffe gilt futures contract gained over half a point, rising from 100.27 to 101.15. In the cash market, the 9¾ per cent gilt due 2002 rose from 111.00 to 111⅛ by late afternoon.

Dealers said that the market remained concerned about the outlook for inflation given Tuesday's disappointing producer input prices.

The market is waiting for Friday's retail price index data for January to see whether there are any signs that inflation has picked up.

■ FURTHER strengthening of the yen against the US dollar helped to push up Japanese government bond prices yesterday, but light profit-taking eroded some of the day's gains leaving the market only slightly higher compared with its previous close.

The June futures contract, which opened at 109.66, reached a new high of 109.76 as the yen strengthened to 120.68 to the dollar.

However, dealers noted some profit-taking, and the futures contract closed at 109.53, up from Tuesday's close of 109.50.

In the cash market, the yield on the No 145 traded in a range of 4.21 per cent to 4.26 per cent, before closing at 4.235 per cent, against Tuesday's close of 4.245 per cent.

Japanese officials were said to be ready to let the yen strengthen to help curb Japan's rising trade surplus.

The dollar fell from a high of Y123.93 in Tokyo on Tuesday to a low of Y120.68 yesterday on expectations that Mr Yoshiro Hayashi, finance minister, and Mr Lloyd Bentsen, US treasury secretary, would agree to allow the yen to rise when they meet for the first time in Washington on Saturday.

● STANDARD & Poor's has confirmed the AAA rating of the £180m securitised issue from Truck Funding, the Leyland Daf finance vehicle, launched at the end of last year, writes Richard Waters.

The deal was structured to cope with events such as the insolvency of the manufacturer, S&P said. UBS Phillips & Drew, which handled the issue, agreed to provide a non-recourse facility of up to £45m to cushion investors against cash flow problems on the bonds.

FT FIXED INTEREST INDICES

	Feb 10	Feb 9	Feb 8	Feb 5	Feb 4	Year ago	High *	Low *
Govt.Secs(UK)	95.06	95.03	95.34	95.37	95.41	88.37	95.54	85.11
Fixed Interest	110.65	110.63	110.82	110.98	110.98	101.17	110.98	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1992/93. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 110.98 (4/2/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Feb 9	Feb 8	Feb 5	Feb 4	Feb 3
Gilt Edged Bargains	161.0	182.3	147.0	167.1	167.0
5-Day average	160.9	169.8	169.1	173.4	185.5

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	108.9111	+0.952	8.62	8.64	8.97
BELGIUM		8.750	06/02	105.2000	-0.950	7.94	7.56	7.51
CANADA *		7.250	06/03	95.7000	-0.050	7.88	7.86	8.02
DENMARK		8.000	05/03	95.2500	+0.200	8.73	8.60	8.86
FRANCE	BTAN	8.500	03/97	102.0473	-0.310	7.88	7.84	7.91
	OAT	8.500	11/02	104.5800	-0.030	7.80	7.82	8.03
GERMANY		8.000	07/02	106.4300	+0.130	7.04	7.06	7.14
ITALY		12.000	05/02	96.7350	-0.130	13.001	13.19	13.56
JAPAN	No 119	4.800	06/99	103.9239	+0.051	4.02	4.19	4.38
	No 145	5.500	03/02	108.2782	-0.002	4.24	4.35	4.48
NETHERLANDS		8.250	06/02	108.6800	+0.030	6.96	7.05	7.15
SPAIN		10.300	06/02	93.7500	+0.200	11.39	11.67	12.46
UK GILTS		10.000	11/96	111-02	+2/32	6.62	6.57	7.24
		9.750	08/02	111-04	+7/32	8.06	8.02	8.41
		9.000	10/08	103-13	-	8.56	8.50	8.78
US TREASURY *		6.375	08/02	99-31	+2/32	6.38	6.44	6.73
		7.625	11/22	105-09	+6/32	7.19	7.24	7.46
ECU (French Govt)		8.500	03/02	102.5050	-0.220	8.10	8.14	8.42

London closing, *New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Venezuela proposes telecom share sale

VENEZUELA plans to sell $600m worth of shares in CANTV, the telephone company managed by GTE Corporation of the US, by June this year, Reuter reports from Caracas.

Mr Julian Villalba, president of the Venezuelan Investment Fund, said that a small block of shares would be issued on the Caracas stock exchange to establish market value and the rest would be placed on foreign stock exchanges.

"We are looking to register them on an exchange, through any mechanism, and it doesn't have to be on Wall Street," said Mr Villalba. The $600m in shares would represent one-third of the state's 49 per cent stake in CANTV.

The government had said it would sell its stake in the telephone concern in the first quarter of 1993. Recent news reports said the government planned to delay the sale until next year to get a better price.

In November 1991, a consortium of companies led by GTE paid $1.88bn for 40 per cent of CANTV and took managerial control. Another 11 per cent of shares were sold to employees.

The government hoped that recent investments worth several hundred million dollars to improve and expand the system would factor into the share price, Mr Villalba said.

Mr Villalba said the new sale of shares could be made in the US but officials would look at exchanges in Europe or Asia. Lehman Brothers would be lead underwriters of the sale on foreign exchanges, he said.

The government said it expected to raise about $2bn this year from the privatisation of state companies, including about $1.2bn from utilities.

● The controlling US shareholders in New Zealand's Telecom Corporation have extended until September 12, 1994 an option to sell their shareholdings. Under a 1990 agreement, Bell Atlantic and Ameritech of the US bought 100 per cent of Telecom from the New Zealand government, on condition that they reduced their shareholding to 49.9 per cent by September, 1993.

Malaysian bank issues $75m three-year CD

MALAYSIA'S Public Bank (PBB) has issued a three-year negotiable floating rate certificate of deposit worth US$75m, Reuter reports from Singapore.

The issue, lead managed by OCBC and Hongkong and Shanghai Banking Corp, pays 37.5 basis points over the six-month London interbank offered rate, OCBC said. A group of 18 banks took part in the issue, originally for $50m but raised to $75m after over-subscription.

● MBf Asia Capital Corp (MACC), the Hong Kong-based merchant banking unit of Malaysia's MBf Group has bought 68.4 per cent of MBf Card Services for M$32.5m from MBf Australia.

MBf Card is the largest issuer of credit cards in Malaysia and of MasterCards in south-east Asia.

Denmark's $1bn offering sells well in spite of tight pricing

By Antonia Sharpe

THE Kingdom of Denmark launched its widely-expected Eurodollar bond yesterday, and syndicate managers expected more new issues today, including a Ecu500m three-year offering from the European Community.

Mr Andrew Pisker, head of new issues at the lead manager, Lehman Brothers International, acknowledged that Denmark's $1bn 5¾ per cent offering due 1998 was aggressively priced to yield 20 basis points over comparable US Treasuries. However, he reported good sales into Europe and the UK in spite of the tight spread.

INTERNATIONAL BONDS

Other syndicate managers said the spread on the Danish deal was five basis points too tight, but agreed that the issuer had been able to take advantage of the current demand among investors for dollar-denominated paper. The syndicate on the Danish deal had not broken by late afternoon.

Mr Niels Sorensen, head of the foreign debt department at Denmark's National Bank, said he was happy with the cost-advantageous terms of the bond and that the proceeds had been swapped into floating-rate D-Marks. The funds will be used to strengthen the central bank's foreign exchange reserves which have been depleted by the recent intervention to support the Danish krone within the exchange rate mechanism.

Investor preference for dollar paper enabled the Republic of the Philippines to increase its previously-announced three-year offering to $150m from $125m and set the yield at 320 basis points above comparable US Treasuries, at the lower end of the indicated range of 320-330 basis points. Syndicate managers said the success of the Filipino deal partially reflected that it had been well flagged in advance of its launch yesterday.

An official at the lead manager, JP Morgan, said that 80 per cent of the offering was split between Asia and Europe and the remaining 20 per cent was placed in the US. After the syndicate was broken, the bonds were bid at par, above their re-offer price of 99.88.

Elsewhere, Crédit Local de France raised £100m of 7¼ per cent Eurobonds due December 12, 1998. The maturity was pitched to tap demand for paper at that area of the yield curve.

A manager at NatWest Capital Markets, the lead manager, said that a little over half of the Crédit Local paper was placed on the Continent. After the syndicate broke, the spread widened slightly by one basis point to 46 basis points above the 7¼ per cent UK gilt due in 1998. Syndicate managers said the bond was generously priced compared with a similar offering from Crédit Foncier de France launched in mid-January with a yield spread of 40 basis points over comparable UK gilts.

Hambros Bank launched the first New Zealand dollar issue in the international market since last June. The NZ$50m offering for Primary Industry Bank Australia, due 2000, was more or less sold by midday, mainly to Benelux, German and Swiss investors.

The issue was bid at 99.55, within the total fees of two points. Further issues in the New Zealand dollar sector are likely, as some NZ$200m worth of paper is due to mature in the next two months.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Kingdom of Denmark	1bn	5.75	99.767	Feb.1998	0.25/0.1	Lehman Brothers Int.
Republic of the Philippines(a)	150	7.875	99.88	Feb.1996	1.125/0.375	JP Morgan Securities
Nafinsa, Grand Cayman(a,b)♦	100	5.875	100	Feb.1998	2.25/1.25	Bankers Trust Int.
D-MARKS						
Euro.Coal & Steel Community	215	6.625	101.15	Mar.1998	1.625/1.125	Bayerische Vereinsbank
Kawasaki Kisen Kaisha★	110	7.25	101.375	Feb.1999	-	OKB(Deutschland)
STERLING						
Crédit Local de France	100	7.25	99.455	Dec.1998	0.25	NatWest Cap.Mkts.
NEW ZEALAND DOLLARS						
Primary Industry Bk.Australia	50	8.25	101.25	Mar.2000	2/1.25	Hambros Bank
SWISS FRANCS						
Uniden Corp.(c)★♦	150	1.5	100	Mar.1997	1.625/1.375	Daiwa Secs.Bank(Switz.)

Final terms and non-callable unless stated. ★Private placement. ♦With equity warrants. ‡Floating rate note. a) Semi-annual coupon. b) Package includes detachable warrants to shares in Grupo Televisa. c) Final terms fixed on 15/1/93.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:55 pm on February 10

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	106¼	106⅝	–⅛	4.69	ARBED 7 1/2 95 LFr	600	97¼	98¼	–⅛	8.77
[illegible]											

	Issued	Bid	Offer	Chg. day	Yield	CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
[illegible]											
INTER AMER DEV 7 1/4 00	30000	114¼	114¾	+¼	4.89	MOUNT ISA FIN 6 1/2 97	100	2.283	99	99¾	+38.60
JAPAN DEV BK 5 99	100000	103¼	103½	+¼	4.42	OGDEN 6 02	85	39.077	88⅝	89⅝	+50.57
JAPAN DEV BK 6 1/2 01	120000	111⅞	112	+¼	4.78	SEGA ENTERPRISES 3 1/2 96	200	10013.9	111¼	112¼	+8.35
KANSAI ELEC PWR 4 5/8 94	63000	101¼	101⅝	+¼	3.45	SMITH & NEPHEW 4 02 £	90	1.775	132	132¾	+54.65
NIPPON TEL & TEL 5 7/8 96	50000	106⅛	106¼	+¼	3.91	SUMITOMO BANK 3 1/8 04	300	3606.9	74⅛	75⅛	+39.99
NORWAY 5 1/8 95	50000	102¾	103		3.76	TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	97¼	98¼	+56.68
SNCF 6 3/4 00	30000	111¼	112	+¼	4.75	THORN EMI 5 3/4 04 £	103	7.16	129	130	+6.78
SWEDEN 5 5/8 95	20000	104	104¼	+¼	3.98						
WORLD BANK 6 3/4 00	50000	112¼	112¾	+¼	4.70						

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	45	12	19
Other Fixed Interest	1	2	12
Commercial, Industrial	201	429	791
Financial & Property	103	212	480
Oil & Gas	12	33	40
Plantations	1	1	7
Mines	51	17	72
Others	20	55	37
Totals	434	761	1,458

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
51	F.P.	–	68	52	Intl. Food Machinery	62		–	–	–	–
£10¼	F.P.	–	725	707	Mauritius Fund	725		–	–	–	–
–	F.P.	–	98	88	New City & Commcl. Inv.	88		–	–	–	–
–	F.P.	–	28	21	Do. Warrants	21	–2	–	–	–	–
–	F.P.	–	2	1½	‡Prime People Warrants	1½		–	–	–	–
–	F.P.	–	245	225	Scottish Asian Wts	245		–	–	–	–

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	120p	115½p	Bristol Water 8¾pc Pf.	120p	
100p	F.P.	-	110p	105¼p	Commercial Union 8¾pc Cn. Pf.	110p	+½
100p	Nil	-	44ppm	41½pm	First Natl. Finance 7pc Cv. Rd. Pf.	41½p	-2½
100	F.P.	-	114¼	109¼	NFC 7¾pc Cv. Bd. 2007	109¾	
100	F.P.	-	101	100½	New City & Commercial RPI Deb 2006	101	+½

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
53	Nil	26/3	10½pm	5pm	ASDA	5pm	–1½
60	Nil	12/3	15½pm	10pm	Barton	11pm	–2
25	10p	1/3	22	12	Property Trust	22	
32	Nil	15/3	13pm	9½pm	Stakis	9½pm	–1
480	Nil	21/5	117pm	58pm	Wessex Water	116pm	+3
260	Nil	-	53pm	39pm	Whessoe	53pm	+5

a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. ¶ Placing price. †† Reintroduction. ♦ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings Feb 8
- Last Dealings Feb 19
- Last Declarations May 20
- For settlement June 1

3-month call rate indications are shown in Saturday editions.

Calls in: Acorn Computer, Aran Energy, ASDA, Baltic, Caverdale, Dorling Kindersley, Enterprise Computer, Fisons, London Fin. & Inv., P & P, Starmin, Tadpole Tech. and Verson Intl. Puts in: Acorn Computer, Claremont Garments and Tay Homes. Puts & Calls: ASDA, Brit. Aerospace, Caverdale and Queens Moat.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		CALLS Apr	Jul	Oct	PUTS Apr	Jul	Oct
[illegible]							
Shell Trans. (*587)	600	10	25	32	36	41	48
Storehouse (*184)	180	18	26	29	11	19	20
	200	7	16	21	22	28	31
Trafalgar (*88)	80	13	15	18	5	8½	12
	90	9	12	14	10	16	18
Utd. Biscuits (*357)	330	35	38	44	7	14	18
	360	14	22	28	22	29	32
Unilever (*1141)	1100	68	87	106	22	35	42
	1150	33	56	76	45	58	66
Option		Feb	May	Aug	Feb	May	Aug
Brit Aero (*260)	260	13	33	44	13	37	47
	280	5	24	37	36	50	59

Option		CALLS Feb	May	Aug	PUTS Feb	May	Aug
[illegible]							
Amstrad (*23)	20	5	5½	6	1	2	3
	25	2	3	4	4	4½	5
Barclays (*416)	390	38	44	51	11	20	29
	420	18	27	36	27	35	45
Blue Circle (*214)	200	24	29	34	6	15	22
	220	13	17	25	15	28	33
British Gas (*285)	280	13½	18	23	6½	14	19
	300	5½	9	14	18	28	30
Dixons (*216)	200	25	34	38	9½	12	17
	220	14	22	29	14	19	28
Eurotunnel (*450)	420	50	67	81	13	27	36
	460	25	45	60	32	46	58

FT-SE INDEX (*2815)								
[illegible]								
Apr	194	154	117	86	61	42	28	17
May	207	171	139	108	83	61	43	32
Jun	–	183	–	120	–	75	–	43
Dec †	–	262	–	202	–	153	–	115
PUTS								
Feb	2	3	7	20	50	96	145	195
Mar	11	19	30	49	76	110	150	195
Apr	23	34	48	66	91	123	160	200
May	34	47	63	84	108	139	174	212
Jun	–	56	–	93	–	147	–	217
Dec †	–	108	–	143	–	192	–	255

February 10 Total Contracts 30,399
Calls 18,052 Puts 12,347
FT-SE Index Calls 4,489 Puts 3,097
Euro FT-SE Calls 130 Puts 455
*Underlying security price. † Long dated expiry months.
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Wed Feb 10	Day's change %	Tue Feb 9	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (23)	128.96	+0.06	128.89	1.33	1.72
2	5-15 years (23)	147.11	+0.18	147.04	1.90	2.01
3	Over 15 years (9)	152.63	–0.05	152.70	1.52	1.28
4	Irredeemables (6)	173.45	–0.20	173.81	2.88	0.00
5	All stocks (61)	143.21	+0.10	143.17	1.66	1.79
	Index-Linked					
6	Up to 5 years (2)	184.40	+0.03	184.34	–0.07	1.51
7	Over 5 years (12)	169.81	+0.32	169.26	0.73	0.62
8	All stocks (14)	170.59	+0.29	170.10	0.63	0.74
9	Debs & Loans (61)	125.56	–0.22	125.84	3.22	0.26

AVERAGE GROSS REDEMPTION YIELDS

			Wed Feb 10	Tue Feb 9	Year ago (approx.)
	British Government				
1	Low	5 years	6.50	6.52	8.61
2	Coupons	15 years	8.10	8.11	9.12
3	(0%-7¾%)	20 years	8.43	8.43	9.12
4	Medium	5 years	7.01	7.03	9.38
5	Coupons	15 years	8.58	8.59	9.20
6	(8%-10¾%)	20 years	8.78	8.78	9.16
7	High	5 years	7.20	7.22	9.61
8	Coupons	15 years	8.85	8.88	9.29
9	(11%-)	20 years	8.95	8.97	9.23
10	Irredeemables (Flat Yield)		8.82	8.80	9.32
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.19	2.20	3.82
12	Inflation rate 5%	Over 5 yrs.	3.64	3.66	4.27
13	Inflation rate 10%	Up to 5 yrs.	1.40	1.40	3.20
14	Inflation rate 10%	Over 5 yrs.	3.46	3.48	4.10
15	Debs & Loans	5 years	8.71	8.72	10.77
16		15 years	9.67	9.65	10.59
17		25 years	9.98	9.86	10.45

UK RESULTS SEASON

Pessimists fear companies may cut the pay-outs they have struggled to maintain

Captains wary of another false dawn

By Maggie Urry

THE STOCK MARKET could face a testing time as companies report results over the next few weeks, or it could be about to see the turning point from recession to recovery.

Optimists hope that when company chairmen publish profit figures for 1992 – which in aggregate will be poor – they will signal a brighter outlook for 1993. Pessimists are more concerned that some companies will cut dividends they have struggled to maintain through the longest recession since the 1930s.

There is broad agreement that industrial companies' profits in aggregate will have shown no growth, or even a slight decline, in 1992. Profits fell 6 per cent in 1991. The market's concern will be what the results say about the outlook for the current year.

Analysts will use the results to rework their profit forecasts for the coming year, setting the tone for the stock market.

Chairmen's statements and companies' dividend decisions will be studied carefully for hints that the famous green shoots are at last starting to appear or that captains of industry see no recovery on the horizon. And chairmen may be nervous about being over-optimistic having witnessed false dawns before.

Estimates for current year profits growth vary widely, not only between stockbroking firms, but also between strategists, who take a "top-down" approach, and the "bottom-up" aggregation of analysts' forecasts. In most cases, the analysts' number is higher than the strategists', even the more bearish of whom look for double-digit percentage profits growth from industrial companies in 1993.

Even without much help from the economy, cost-cutting, lower interest rates and the benefit of the fall in the pound, if only on translation of overseas profits, should be sufficient to boost profits by 10 per cent or more.

Mr Mark Brown, chief UK strategist at UBS Phillips & Drew, is forecasting a 12 per cent rise in industrial profits, while his analysts are going for 21 per cent. He says the gap is not unusual at this stage, but worrying since he feels if his forecast is right analysts will bring down their estimates over the next few weeks which could hit the market.

Mr Brown is concerned that an economic recovery will be slow, particularly as many companies are still trying to cut stock levels, and says that "one company's reduction in stocks is another's cut in output".

The most optimistic strategists, such as Nomura Research Institute, have a forecast of 30 per cent for industrial earnings growth in 1993. Although admitting some of this may be deferred to 1994, Nomura's analysts are closer to other firms' forecasts with 22 per cent growth predicted. Nomura believes that analysts lag behind strategists at turning points.

While most market commentators expect 1992 dividends to be little changed in total, there could be surprises from individual companies. Many are leaving the decision until the last moment so that the dividend can reflect the up-to-the-minute trading situation.

One such is Pilkington, the glass company, which has a March year-end and reports in June. It cut its final dividend last year, but maintained its interim in December paying it from reserves, saying it would decide on the total payment for the year in June. If positive signs of recovery appear by then, investors hope Pilkington will decide not to cut again.

Dividend increases in 1993, forecast at about 3 or 4 per cent across the market, are expected to lag behind earnings growth as companies attempt to rebuild cover.

Although the hope that the UK has become a low-inflation economy means dividend cover need not be as high as it was in, say, the 1970s, companies and investors generally still feel uncomfortable if cover is below 2.

An additional problem for companies with surplus advance corporation tax, is that a dividend increase adds to the tax charge, thus reducing cover more severely.

Many companies will be keen to retain earnings to help finance extra working capital which they will need when recovery comes. Mr Brown said dividend cuts were still made after the last recovery had started.

Trevor Humphries

David Tweedie: in a way FRS 3 should be easier for analysts because they will be given all the numbers to work with

How the FT views FRS 3 accounting discipline

By Rod Oram

THE CHANGES to company accounts triggered by the new FRS 3 accounting standard will have an impact on companies' results and the way the Financial Times reports them.

For many companies, pre-tax profits and earnings per share will be more volatile. However, FRS 3's requirement on them to give more financial data will bring more detail and depth to our reporting and analysis.

Not all companies will switch to FRS 3 before the June 22 deadline. For those that do, we will report their results in the following way:

- The main measure will remain pre-tax profits for the latest period compared with the previous year's figure. For a transitional period, we will show a second comparative figure based on the previous standard.
- Any factors distorting pre-tax profits, such as the cost of rationalising or disposing of businesses, will be fully reported.
- Our reports will carry all the figures needed to give a full review of a company's performance. The FRS 3 data will allow for example, a clearer picture to be given of the impact of acquisitions and the cost of disposals.

Thus, a more accurate assessment will be possible, for example, of the profitability of a company's on-going businesses.

Greater use will also be made ofcashflow statements introduced under FRS 1.

The FT will report the earnings per share derived under FRS 3, contrasted to the year earlier figure. We may also report any alternative earnings quoted by the company.

For analytical pieces, such as Company Comments and corporate profiles, we will draw on p/e ratios based on eps figures adjusted to remove anomalies and to give a guide to companies' on-going performance. Brokers' analysts have begun work on such adjusted figures; we will be following their efforts closely.

FT Statistics, the department which provides the London Share Service prices, is discussing the appropriate treatment of earnings for the p/e ratios shown on these pages. The policy to be adopted will be announced in due course.

Reuters dividend likely to be beacon in a dark season

By Jane Fuller

REUTERS' near 25 per cent increase in its 1992 dividend, announced on Tuesday, is likely to be a beacon in an otherwise dark season.

Little change is expected for 1992 payments across the market. Some analysts are forecasting a small fall, especially outside the utilities and blue chip companies.

The drag factors are obvious: a small minority of companies are expected to cut their final dividends and a rather larger number will maintain, in some cases for the third year running. To offset these dampeners, there is likely to be only a smattering of 10 per cent-plus increases.

Some of the likely cutters marked themselves out at the interim stage. British Aerospace had to reshuffle its reserves to enable it to pay a much reduced interim dividend late.

Rolls-Royce, on the other hand, held its interim, but doubts have surfaced about the final. After twice holding it at 7.25p – once uncovered – the prospect of brazening out a lack of cover for three years altogether may sway the argument for a cut. The doubts are reflected in a historic yield of nearly 8 per cent, almost double the market rate.

Among the maintainers, ICI seems to be heading for a hat-trick of three years at the same level. Once it splits in two, the more immediate hopes for growth focus on Zeneca, the pharmaceutical spin-off.

A profile of prolonged flat dividends is also presented by the motor components groups GKN and T&N. The latter's vulnerability in a second year of inadequate cover is suggested by an 8 per cent yield. However, both returned to profits growth in the first half of the year.

GKN is a good example of the industrial groups which have improved cash flow and reduced gearing, and so can justify holding dividends even when earnings cover is a problem.

On the brighter side, Lloyds Bank is expected to announce a 10 per cent dividend increase tomorrow but its gesture would make far fewer waves than a cut from bad-debt-ridden Barclays. Its dividend prospects have been the subject of considerable debate.

Among the insurers, Commercial Union's 3 per cent dividend increase yesterday, alongside its £428m rights issue, may well be the best of the big five composites. Royal, which passed its final last time and slashed the 1992 interim, is forecast to make the annual total up to 5p. Losses on domestic mortgage indemnity policies have hit its ability to pay more.

Looking ahead, dividend growth is forecast to resume this year, although recovering at a slower pace than earnings. A couple of years of modest dividend rises – say 4-5 per cent in line with inflation – should enable companies to rebuild dividend cover, which has fallen below 1.8 times.

Analysts are questioning the need to restore cover to historic levels of 2.5 times or more because of lower inflation and the downward pressure exerted on the average by privatised utilities.

A lower target would bring forward the point at which real dividend growth can resume. As long as prospects are sluggish, the attractiveness of equities diminishes compared with gilts.

Effects as companies rally to a new standard

By Andrew Jack

MR DAVID TWEEDIE, chairman of the Accounting Standards Board, recently said there was a need to develop standards that the person in the street could understand. FRS 3, the new financial reporting standard on the profit and loss account, does not fall into that category.

But over the coming months, anyone examining companies' financial results will rapidly begin to see the effect of the standard and will have to learn to cope with its effects.

FRS 3 becomes mandatory for companies with financial year-ends after June 22 this year. The Accounting Standards Board has urged companies to begin complying before this time.

It is essentially a standard dealing with disclosure and presentation of financial information, rather than specifying new ways of treating the numbers. The most important changes are:

- Extraordinary items – costs or realisations which are fundamentally different to a company's normal activities – will be virtually abolished. Any that remain will be placed above the bottom line, so they will be included in the pre-tax profits figure.
- Pre-tax profits and earnings will become far more volatile from year-to-year as a result, forcing readers of accounts to examine the details rather than focusing on a single figure of financial performance.
- Exceptional items – other large material items outside the company's continuing business operations – will be largely absorbed into other headings on the profit and loss account. Three will remain separately disclosed: profits or losses on sale or termination of an operation; costs of a fundamental reorganisation or restructuring; profits or losses on the sale of fixed assets.
- Turnover and profits must be broken down between three separate categories: continuing operations, acquisitions as a component of these operations, and discontinued operations.
- The proceeds on the disposal of revalued assets must be recorded with reference to the carrying value or revalued amount shown on the balance sheet, where previously it was left in reserves.
- A new statement of total recognised gains and losses will show the effect of any changes to reserves such as revaluations, and of exchange adjustments, which were all previously buried in the notes to the accounts.
- A note of historical cost profits and losses will reconcile the effects of any revaluations to the historical level at which they were shown in the balance sheet.
- A reconciliation of movements in shareholders' funds shows changes such as goodwill on acquisitions and new share capital issued.

So far, only a handful of companies have complied. These include BOC, Blue Circle, Hanson and Trafalgar House. A larger number of companies are using the format of FRS 3 for their interim results. Others – such as Bass and MEPC – are beginning to make reference to it in their accounts.

The recently-released accounts of Grand Metropolitan for the year to September 30 1992 provide a useful illustration of the effects of FRS 3, which it has fully adopted.

The difference between the old and new profit and loss accounts is instantly shown by the different profits: under the old system, pre-tax profit was £902m; under FRS 3, the new pre-tax profit on ordinary activities is £925m. The principal difference is £12m in extraordinary items, which boosts earnings per share from 30.1p to 30.6p.

GrandMet discloses a contribution to turnover of £428m from acquisitions, separated from £6.6bn from existing, continuing operations. This would have been impossible to calculate before. It splits out under the three categories of the remaining exceptional items: £13m in fixed asset disposals, £10m on sale or termination of businesses, and a £43m provision for loss on sale or termination of businesses.

The three notes show substantial changes in goodwill, share capital, foreign currency exchange adjustments, and revaluations, reconciled to the figures on the face of the profit and loss account.

In general, a danger of FRS 3 is that companies can use it to throw up a smokescreen. Some companies are reporting under the new standard, and blaming it for any drop in profits. Others are holding back from implementing FRS 3 because the old system gives them more flexibility to conceal damaging transactions.

Analysts are also noting variations in the ways companies comply with the new standard – particularly over how material items must be separately disclosed, and how businesses are divided between continuing and discontinued items.

Goodwill factor catches many out

By Andrew Jack

USERS OF accounts can expect to see a growing number of references by companies to new standards and rulings in the next few months.

Probably the most important change – and the one that caught many finance directors by surprise – comes from the Accounting Standards Board's urgent issues task force, a unit designed to quickly clamp down on ambiguities or abuses in existing standards.

The unit's ruling in December 1991 dealt with the treatment in the p and l account of any acquired businesses of which a company subsequently disposed.

The ruling says that any goodwill – the difference between the net assets of the acquired company and the purchase price paid – should be included in the calculation of profit or loss upon its sale.

In the past, a company might have paid £100m for a business with assets of £80m, and then sold it for £90m. By writing off to reserves the goodwill of £20m and recording it in its balance sheet at £80m, it could have reported a profit of £10m from the sale. Now it must record a loss of £20m.

Other rulings which will come into effect soon include one requiring the disclosure of post-retirement benefits such as healthcare, and another on the treatment of costs when a company repurchases debt.

FRS 1, the accounting standard on cash flow, and FRS 2, on unconsolidated subsidiaries, are already in effect. More important will be FRS 4, which deals with capital instruments and may be released late this year.

The standard will require companies to treat virtually all "hybrid" instruments, such as convertible bonds, as debt rather than equity. All remaining equity other than ordinary shares will be classified as non-equity shareholders' funds.

Change in rulings will devalue p/e ratios

By Maggie Urry

IS THE p/e ratio dead? The introduction of Financial Reporting Standard 3 will make fundamental changes to the way earnings per share are calculated, and will therefore affect the p/e, often regarded as the most important investment ratio.

Once items formerly treated as extraordinary, and therefore not included in eps calculations, are moved above the line, the FRS 3 eps number is likely to be more volatile than in the past.

The Accounting Standards Board's main aim in producing FRS 3 was to reduce the importance of the single eps number – which has become less meaningful as companies have found ways to fudge the figure. Under FRS 3 investors will be given, and indeed forced to look at, more information on which to base their valuations of companies.

Mr David Tweedie, chairman of the ASB, says that, "in a way it should be easier for analysts because they will be given all the numbers to work with." He points out that US companies and analysts have worked with a similar accounting system to FRS 3 for years. While 53 per cent of UK companies are likely to have an extraordinary item in any one year, only 5 per cent of US companies do.

Analysts are fairly sanguine about the changes, although they admit that there will be discontinuity and confusion to start with. Many claim that they were already adjusting published eps numbers for items which they regarded as not part of the continuing business.

Further they stress that the p/e is only one measure of a company, and most analysts also look at yield, cash flow, asset value, balance sheet strength and make more subjective judgments such as on the quality of management.

The Institute of Investment Management and Research, the investment analysts' industry body, is working on a report expected to produce a recommended method of producing a "normalised" eps figure showing what a company has earned from its continuing operations. Analysts could use this as a base for making earnings forecasts.

This method could become an industry standard, and companies might even come to produce an IIMR eps figure. Meanwhile, many stockbroking firms are working on their own versions of normalised or ongoing eps figures.

Mr David Gray, of brokers James Capel, agrees that the p/e has in the past been emphasised because it provides a simple message to put across to investors. He, like others, does not expect a move to a ratio based on cash flow, but says people will be pushed to use a wider range of yardsticks.

At UBS Phillips & Drew, Mr Richard Hannah agrees that the arrival of FRS 3 will "force analysis beyond the eps level". However, he is concerned that analysts may latch on to an "ongoing" p/e.

That is likely to be a flattering number if losses from discontinued activities, for example, are excluded. And it is often a reflection on a company's management if a subsidiary has to be closed, and relevant to its dividend paying ability if a loss on an investment has been sustained.

If not dead, the p/e will at least be devalued with FRS 3, but that may not be a bad thing.

COMPANY NEWS: UK

NHL to repay £120m bond issue on time

By John Gapper, Banking Correspondent

NATIONAL Home Loans, the centralised mortgage lender, yesterday signalled confidence in its prospects of recovery by announcing that it intended to repay £120.1m in D-Mark bond issues on time rather than rescheduling the debt.

The shares firmed ¼p to 6¼p.

The group said it had postponed rescheduling offers to holders of £48.4m of bonds due for payment on June 7, and £71.7m of bonds due in mid-1995.

It now intended to repay the debt rather than moving back the repayment dates to the end of 1995.

The company said it had postponed plans to reschedule debt because of the "significant costs" of making exchange offers, and because improving prospects for the UK housing market had made it more confident of its own trading prospects.

It added that its confidence had also been increased by the falls in sterling interest rates.

Mr Jonathan Perry, chairman, said the cost of exchanging the bonds, which trade on the Frankfurt exchange, included fees and commissions to exchange agents, higher interest rates on the bonds, and legal fees.

The company, which had to reschedule on-balance sheet debt of £700m last June to keep trading, requires permission both from banks involved in the refinancing, and from holders of £50m of dollar bonds already rescheduled to 1995.

Mr Perry said that the banks had 30 days to respond to the request for consent.

Dollar bond holders would be consulted at a meeting for which 21 days notice would be given.

He said that if consent was not given, the company would have to return to its original plan to reschedule the D-Mark bonds. The company originally said it was confident that the D-Mark bonds would be rescheduled by the end of 1992.

Lloyds Abbey rises to £298m

By John Authers

LLOYDS ABBEY Life, the life assurance group, announced profits before tax of £297.6m for 1992, a rise of 4.2 per cent on the previous year's £285.5m, restated under new accounting standards.

The total dividend remains at 17.3p via a proposed maintained final of 11p, payable from earnings of 28p (29.1p) per share.

Black Horse Financial Services, a "bankassurance" company which sells products only to customers of Lloyds Bank, registered a 23.5 per cent growth in pre-tax profits, from £89.5m to £110.5m.

However, profits at Abbey Life, its other UK life assurance division which sells mostly through a direct sales force, rose by only 2.4 per cent to £146.4m (£142.9m).

Abbey Life's relatively poor performance was attributed to expenses of new regulatory requirements on training and competence, which led to a reduction in the sales force from 3,507 to 3,200.

Lloyds Bank Insurance Services, which sells general insurance, increased pre-tax profits by 7.7 per cent to £58.8m (£54.6m).

Profits before tax at Lloyds Bowmaker, the finance company affected by a £100.5m bad debt write-off, dropped from £22.3m to £16.2m. Black Horse Agencies, the estate agency, saw losses reduced from £21.4m to £10.6m.

The worst results were suffered by Trans Leben, the group's German life subsidiary, which incurred a loss of £14.1m (profits of £7.5m). This reflected strict reserving requirements for its "with-profits" business.

See Lex

Brooke Tool £2.4m disposal

By Gary Evans

BROOKE TOOL Engineering (Holdings) yesterday announced a further step in its programme of selling loss-making businesseswith the disposal of Cardinal Broach to management for £2.35m cash.

At the same time, the company reported a sharp increase in pre-tax losses, from £1.7m to £3.14m, for the 12 months to September 30.

Turnover was lower at £18.9m (£25.3m). Losses per share increased to 7.3p (3.3p) and the final dividend is omitted. Last year only a 0.25p interim was paid.

Exceptional charges of £1.24m (£811,000) included a £503,000 loss attributable to Cardinal Broach, which makes broaching tools and machines.

The 1991 figures included an extraordinary loss of £403,000 which has been restated as an exceptional item in line with new accounting standards.

Mr Bernard Friend, chairman, said that the exceptionals covered measures to reduce the cost base and eliminate loss-making activities. They included redundancy payments and losses on disposals.

A number of loss-makers were sold during the year, realising about £1.4m.

Cardinal Broach represents the group's last connection with the design and manufacture of capital equipment. Mr John Dashper, chief executive, said the sale would allow the group to redirect resources into its remaining businesses in domestic and export markets – which are showing signs of improvement. It would also reduce group borrowings.

Mr Friend said that poor trading and redundancy costs had kept borrowings at too high a level. Interest charges for the year took £811,000 (£968,000). The first quarter of the current year had not shown any significant change in trading, but there were more recent signs of improvement. Order books were stronger than at this time last year, particularly in continental Europe and North America.

Airtours resumes attack in Owners bid

By Richard Gourlay

AIRTOURS yesterday returned to the attack in its bid to take over Owners Abroad, arguing that shareholders in the rival holiday group have been given inadequate explanations as to why their company has performed relatively so badly.

In a letter to shareholders, Mr David Crossland, Airtours chairman, said that contrary to Owners Abroad's claim that his company was "running out of steam", Airtours' increases in bookings were gathering momentum.

"The basic message is the same," Mr Crossland said. "Airtours has performed over the years and Owners Abroad hasn't."

Mr Howard Klein, Owners Abroad chairman, replied by saying that in neither of Airtours' two offer documents had it supplied a convincing explanation of the strategy for the enlarged group.

Airtours had also failed to quantify the benefits which it claimed would come from the merger of the two groups.

Mr Crossland said that he was particularly upset by the claim that Airtours had chosen the wrong aircraft in the MD83.

This older, but commercially proven, aircraft had been chosen because at the time the A320 had not been in operation for more than 4,000 flying hours a year.

Airtours had decided not to risk starting a new charter airline with a new aircraft.

Mr Crossland refuted Owners Abroad's claim that Airtours' 30 per cent expansion in capacity in 1991 had been "risky". Airtours had moved very rapidly - but according to a plan - in snapping up hotel beds and airline seats when ILG went bust.

As a result Airtours had been able approximately to double its market share, adding five percentage points to take it up to about 12 per cent of the air inclusive tour market that year. Owners Abroad had only increased its market share by one percentage point in summer 1991.

Mr Crossland said that while his company had increased its market capitalisation by £186m in the five years to last September, Owners Abroad's worth had shrunk.

A downturn reaching to the core

David Simon has had a baptism of fire at British Petroleum. Deborah Hargreaves reports on the expected losses

BRITISH Petroleum will today report a loss for last year and a sharp cut in its dividend as the company has seen a downturn in all of its main businesses.

The decline in core activities, such as refining and marketing, is even worse than can have been imagined by Mr David Simon, chief executive, when he took on the post after the ousting of Mr Bob Horton last June.

BP is expected to report a loss of between £350m and £400m on a replacement cost basis, which strips out the effects of stock losses and gains, but this figure could be clouded by changes in BP's accounting standards.

Investment analysts expect the company to pay a dividend of 2.1p for the final quarter, making a full year pay-out of 10.5p – down from 16.8p in 1991.

The company is continuing its programme of severe cost-cutting set in train by Mr Horton and stepped up by Mr Simon last August.

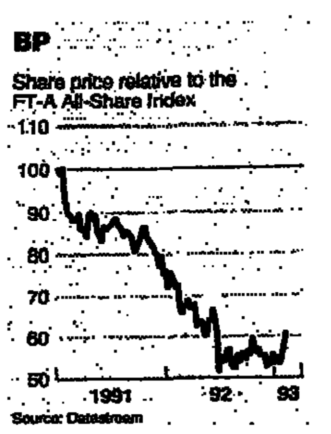
Mr Simon is believed to have curtailed capital expenditure in the second half of last year even more than he said he would as the scale of the downturn became clear to him.

Mr Nick Clayton, oil analyst at Smith New Court, expects BP to show that it has cut capital spending by £400m in the second half to leave a total of about £3.2bn for the full year.

"The company is doing all the right things in cutting costs, but it is getting absolutely no help from the external environment," said Mr Clayton. Severe over-capacity in the chemicals sector had turned that market into a "bloodbath".

In addition, over-production by European oil refineries has cut margins to a level of about $1 (60p) a barrel this week which means no companies are making money. Oil companies need a margin of at least $3 a barrel to make a profit on refining.

Crude oil prices have remained low and this hurts BP which is more exposed to the oil price than rivals such as Royal Dutch Shell.



Source: Datastream

One bright spot for the company is the pound's fall against the dollar, translating into higher revenues from crude oil sales.

By the same token, BP's share price has performed strongly in the UK as US analysts have started to buy the stock.

A favourable exchange rate and the round of cost-cutting has turned into a slightly higher expected income for BP for the final quarter of last year in spite of the deteriorating fundamentals.

Analysts expect fourth quarter income to be between £150m and £200m on a replacement cost basis which is an improvement on the £72m earned in the last quarter of 1991.

However, few in the City expect the upturn to be sustained until there is a pick-up in the oil market.

BP also faces initial costs for part of its restructuring programme, which aims to reduce the workforce by 11 per cent. Redundancy payments could cost the company £300m in the next six months.

Cash is a key element for BP to get under control. Mr Clayton believes last year's results will point to a net outflow of £850m.

Mr Simon cannot let up on his cost-cutting initiative while the fundamentals of his businesses remain so poor.

Benson reaches £0.8m as growth continues

By Paul Cheeseright, Midlands Correspondent

GROWTH AT Benson Group, the Wolverhampton-based engineering company, continued during its first half to November 30.

Pre-tax profits jumped from £225,000 to £817,000 on turnover of £12.5m (£4.85m).

The profits growth marks an extension of last year's second-half trend and follows the absorption of five acquisitions. New management arrived in 1990 and undertook corporate surgery earlier in the recession than many of its peers. The group has disengaged from the difficult agricultural machinery markets.

Margins have been maintained at the levels of the last financial year in the three main lines of business – environmental controls, vehicle engineering and engineering components. "We have been determined not to enter the fray of reducing prices," said Mr Richard Phillips, chairman.

Earnings per share were 0.55p (0.39p) and the interim dividend is restored with a payment of 0.1p. For 1991-92, Benson paid a final, also of 0.1p.

Gearing rose from 30 to 50 per cent during the six months.

NEWS DIGEST

Share sale bolsters CH Bailey

SALES OF investments, mainly the disposal of part of its stake in Bristol Channel Ship Repairers, produced a £1.24m credit for CH Bailey in the 28 weeks to October 9. The company returned to profit to the tune of £773,250. Sales rose some 12 per cent from £2.1m to £2.34m, but margins remained slim. The corresponding period saw a £305,600 loss.

Mr Christopher Bailey, chairman of both Bailey and Bristol Channel, in which CH Bailey retains an 8 per cent stake, also voiced his opposition to the Cardiff Bay barrage bill.

He said that if the scheme, which is being considered in the House of Lords, was sanctioned it would make shiprepairing at the Bute dry dock impossible.

US growth lifts Elan

Third quarter profits of Elan Corporation, the Irish health care products group, improved from I£3.06m to I£5.17m (£5.38m) pre-tax. For the nine months to December 31, profits rose from I£8.58m to I£14.15m.

Mr Donald E Panoz, chairman, said the growth could be attributed to the success of Cardizem CD in the US market.

Although sales by Lederle of Prostep declined significantly in the US, that was partly offset by increased sales of the nicotine patch in international markets.

Turnover improved from I£14.9m to I£23.4m. Earnings per share rose to 0.15p (0.1p).

Elbief deficit up to £244,000

Shares of Elbief yesterday fell 5p to 21p as the Birmingham-based manufacturer of photograph frames, clocks and mirrors accompanied news of an increased interim deficit with a gloomy trading statement.

Losses before tax for the six months to October 31 increased to £244,000 (£57,000). Mr Harry Prais, chairman, said: "Overheads were pruned severely and employee numbers were drastically reduced, but this was negated by lower sales." Turnover declined 17 per cent to £1.9m.

Mr Prais said he saw little sign of an end to recession and did not anticipate a return to profits in the current year.

Losses per share were 0.2p (0.04p).

Throgmorton 1000 net asset value falls

In its first set of results, Throgmorton 1000 Smallest Companies Trust reported net asset value per share of 98.84p at the end of the half-year to December 31.

This compared with 99.4p at launch and 106.91p by January 31 1993.

The company was incorporated on April 6 last year, but did not begin trading until July 23, the day after acquiring Throgmorton USM.

Gross income amounted to £803,000 and net revenue was £452,000. Earnings per share came through at 1.34p. The board expects to recommend a dividend for the current year.

Throgmorton said it had identified positive sentiment towards small companies and it hoped this would benefit the second half.

Saints net asset value up 16%

Net asset value of Scottish American Investment rose some 16 per cent, from 131.7p to 152.2p, during 1992.

Attributable revenue for the year amounted to £10.6m (£9.71m), equivalent to earnings of 4.73p (4.34p) per share. A proposed final distribution of 1.11p brings the total to 4.35p (4.12p).

Kleinwort Overseas net asset value rises

Kleinwort Overseas Investment Trust had a net asset value of 224.64p at December 31, compared with a value of 185.39p some 12 months earlier.

Net revenue increased from £2.68m to £2.84m. This produced earnings per share of 3.54p (3.34p).

The proposed final dividend is lifted to 1.8p, bringing the total to 3.3p (3.2p).

Fleming Enterprise asset value ahead

Fleming Enterprise Investment Trust had a net asset of 170.7p at December 31 1992.

This compared with 159.6p a year earlier.

Net revenue for the half year was sharply lower at £734,000 (£1.12m).

Earnings per share dipped from 2.79p to 1.83p.

The interim dividend is maintained at 1.3p.

Caledonia required to buy Ralston assets

The Liquidators of Ralston Investment Trust have exercised their option to require Caledonia Investments, which owns 75 per cent of the trust, to acquire some of its assets.

The net asset value of Ralston was £15.7m.

There will be a cash distribution of 65.4p per share to shareholders other than Caledonia on February 11.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 11.02.93 Pool purchase price £/MWh	Final Prices for Trading on 14.01.93 Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.40	17.49	17.49
0100	21.66	20.25	21.69
0130	25.50	22.61	24.04
0200	25.50	22.61	24.01
0230	21.66	20.25	21.66
0300	21.66	20.25	21.65
0330	21.66	20.25	21.56
0400	18.21	17.52	17.52
0430	18.02	17.48	17.48
0500	18.02	17.49	17.48
0530	18.03	17.49	17.49
0600	18.03	17.49	17.49
0630	18.10	17.49	17.49
0700	21.83	21.06	22.41
0730	21.89	20.62	21.96
0800	21.89	21.41	22.77
0830	21.89	22.17	23.55
0900	24.77	22.68	23.98
0930	24.77	24.95	26.43
1000	24.77	24.96	26.42
1030	24.77	22.26	23.64
1100	22.44	22.25	23.84
1130	22.44	22.26	23.65
1200	22.44	22.57	23.96
1230	22.44	22.56	23.96
1300	22.44	22.24	23.62
1330	22.44	22.22	23.61
1400	19.31	21.70	23.07
1430	18.77	21.70	23.07
1500	18.77	19.16	19.16
1530	19.31	19.20	19.20
1600	19.31	21.72	23.09
1630	22.44	23.64	26.39
1700	24.84	32.55	35.89
1730	27.09	33.61	37.12
1800	27.22	32.74	35.81
1830	27.22	27.63	29.49
1900	27.13	24.43	25.89
1930	27.08	23.16	24.54
2000	24.83	21.72	23.04
2030	21.96	21.42	22.73
2100	21.89	21.08	22.37
2130	21.87	21.06	22.37
2200	21.87	20.61	21.62
2230	18.65	18.72	18.72
2300	18.05	17.49	17.49
2330	18.03	17.48	17.48
2400	17.59	17.48	17.46

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.66/MWh becomes 1.666p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602 456780 between 8.30am and 5.15pm Monday to Friday.

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CONTRACTS & TENDERS

COMPANY NEWS: UK

Chinese mount reverse takeover of Stonehill

By Paul Taylor

A PRIVATE Chinese-based property development company is coming to the London market through a £51.7m reverse takeover of Stonehill Holdings, the UK property management group which owns and manages Stonehill Business Park in north London.

Under the terms of the agreement, Stonehill will acquire Cathay International United Investments for £51.7m in new paper from Cathay International Investment, a company set up in 1988 and owned by Mr Wu Zhen Tao, a former Beijing government official.

Of the 517m new Stonehill shares which CII will receive, 117m will be placed with institutional and corporate investors in China, Hong Kong and the UK by Marshall Securities.

Stonehill, a furniture manufacturer until the late 1980s, has a market capitalisation of £2.31m and posted a reduced pre-tax loss of £170,000 (£290,000) in the six months to September 30.

The group's shares were suspended at its request early last month at 11p apiece.

Once the acquisition is completed Stonehill will become a subsidiary of CII with Mr Wu, who was born and educated in Beijing and has held a number of important positions in government scientific and financial institutions in China, as chief executive.

The company then plans a 2-for-1 rights issue of 42m shares to raise £4.2m which will be used to reduce borrowings and provide working capital for the new enlarged group.

In addition CII will make a general offer for the existing 21m shares to satisfy the City Code on takeovers and mergers. The transactions have been arranged so that CII will own not less than 69 per cent and not more than 74.3 per cent of the enlarged group.

CIU's main asset is the 346-room Landmark Hotel in Shenzhen, China, which represents the final phase of a mixed housing, retail and commercial development undertaken by CIU.

The hotel is due to open in June and will be managed under contract by a joint venture company between CII and the Hong Kong-based Koppen Yan Zimmermann group.

Mr James Buchanan, Stonehill's chairman, said the deal will enable the enlarged group to pursue property opportunities in both China and the UK.

Despite closing its furniture operations the UK group has remained highly geared and loss-making and has lacked the resources to expand.

Simon shares fall on contract warning

By Peter Pearse

THE SHARE price of Simon Engineering fell 20p to 119p yesterday on news that it would make a £5m loss on a $103m (£68.2m) contract.

Analysts yesterday lowered their forecasts for the engineering, environmental and industrial services group from between £10m and £12m to between £6m and £7m.

They also believe the final dividend will be passed, giving a total of 5p, down from last time's 15.7p.

Management was criticised because this was not the first time Simon had suffered cost over-runs on a paper mill contract. The latest problems relate to a contract to rebuild the world's largest liner board paper mill in Jacksonville, Florida, for Seminole Kraft, an arm of Stone Corporation.

On the previous occasion, Stone was also the client, though Mr Alan Jarvis, Simon's finance director, said the group took over the Hoya contract in Germany when it acquired Holder Pamac Group in 1989.

On the Jacksonville contract, Mr Jarvis said: "We felt we had done all we could do to avoid this situation," though he conceded that it had been "poorly costed" and was taken on a tight margin as a reference plant.

He added that Simon had lodged a "substantial" claim with Stone over "unagreed contract variations" where specifications had been altered during the course of the work. He said that "substantial" meant more than 10 per cent of the value of the contract and that the two companies were currently in negotiations over the claim.

Mr Jarvis said that as soon as a loss on a contract was recognised, it had to be written off, though he stressed that Simon was "not in danger of breaching its interest cover covenant, or indeed any of its banking covenants".

Simon was keen to point out that the £260m electronic equipment factory contract in Yerevan, Armenia, had been completed "successfully, profitably and to budget".

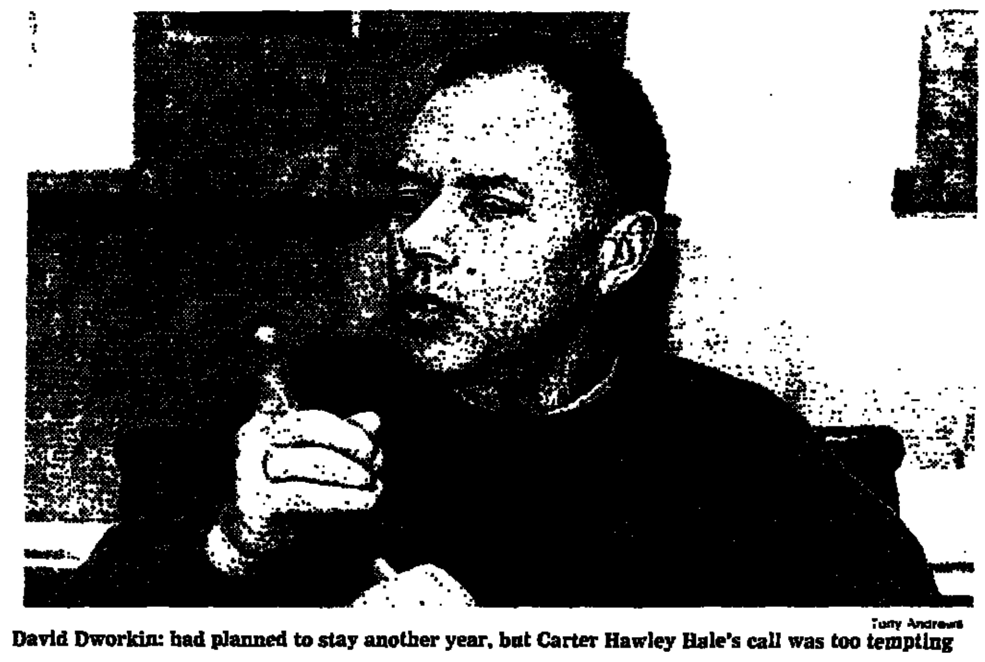
Correction

Allied-Lyons

Allied-Lyons' pre-tax profit for its 1991-92 financial year was £610m, a rise of 28 per cent on the previous year. Yesterday's FT 500 survey wrongly indicated a profits decline.

Legacy of a laid-back American

Neil Buckley on the leaner Storehouse left by its departing chief



Tony Andrews

David Dworkin: had planned to stay another year, but Carter Hawley Hale's call was too tempting

THE DAY after his appointment as head of one of the largest department store chains in the US, Mr David Dworkin still lives up to his laid-back image.

He is toying with a late lunch of baked potato, beans and coleslaw at his desk, after a work-out at the gym.

But if exercise and healthy eating have helped Mr Dworkin shed quite a few pounds since he arrived from the US three years' ago to head BhS, the department store chain, a similar transformation has taken place at that company and the parent Storehouse group which he took over last summer.

Mr Dworkin characterises the change thus. Storehouse when he arrived was "amorphous, and a bit chaotic. It was non-symmetrical, a portfolio of non-related business entities."

Today, it is "unified, focused, with the same philosophies governing the businesses."

The City seems to agree with him, and credits him with the transformation.

Storehouse shares, which hit a low of 85p in December 1991, recently touched 219p. In the last two days, the jitters caused by the news of his departure have knocked almost 10 per cent off the shares, although analysts say the reaction may be overdone. Mr Dworkin, they say, has made the fundamental changes that were required, and set the company back on course.

The 49-year-old American has sometimes been ruthless. To cut costs, he sacked 900 people, and got rid of the "legions and layers, all the fluff and the nonsense," removing four layers of management.

Some functions were contracted out, old stock was sold off cheaply, and the image of BhS was rethought, with better use made of displays and space, and brighter stores.

There were mistakes, but the strategy worked. Year-on-year sales increases have run at about 8 per cent for the last 16 months, and margins have also improved.

Last summer, Mr Dworkin rose to head the Storehouse group. Officially, this was due to the failure of then chief executive Mr Michael Julien to throw off a lingering virus, but some accounts suggest Mr Dworkin may have been threatening a return to the US even then.

The slimming down of the business continued. The Habitat and Richards chains were sold, leaving Storehouse focused on BhS and Mothercare.

Mr Dworkin appointed Ms Ann Iverson, a colleague from his days at Bonwit Teller, the US stores group, to head Mothercare and introduce BhS-style reforms.

The process is far from complete. Mr Dworkin claims that while Storehouse's total floorspace is 7m sq ft, 3.6m of which is selling space, 1m sq ft are "fallow", waiting to be "recaptured" for trading.

He planned to stay at least another year. But two weeks' ago the call came from Carter Hawley Hale.

The stores chain, based in the western US, had been looking for a new chief executive since last October. It was too tempting to refuse.

"The set of circumstances that appealed to me when I arrived here exist at Carter Hawley," Mr Dworkin says. "It's the thrill, the challenge, the excitement of having something major to accomplish. It is a bit of an ego thing."

There were also family reasons. Mr Dworkin wanted to be reunited with his two daughters in the US.

Carter Hawley's 83 department stores sell fashions to furniture and household goods, under the names The Broadway, The Broadway SouthWest, Emporium and Weinstocks.

The Broadway name, Mr Dworkin says, enjoys a similar reputation in California to Marks and Spencer in the UK.

Rising debts, however, led the group to seek chapter 11 bankruptcy protection in 1991. It began to reorganise and slim down, and emerged from chapter 11 last October with 16m sq ft of selling space, including many prime locations.

The group is already profitable and has a high turnover, but is rudderless.

"$2bn sales a year without a game plan is a lot of business," remarks Mr Dworkin. He sees his role as similar to that at Storehouse: providing leadership, removing the fat and devising a strategy.

Storehouse, meanwhile, is looking in both the UK and the US for a replacement. It is stressing the need for continuity, but says the new chief is likely to come from outside the group.

Mr Dworkin looks back with some satisfaction. "I would be less than honest if I said I wasn't proud. How many managements tried to turn around BhS? It was supposed to be the poison pill."

PPI administrators begin proceedings against Citibank

By Paul Taylor

THE ADMINISTRATORS of Polly Peck International, the collapsed fruit and electronics group, began High Court proceedings in London yesterday against Citibank in an attempt to recover some £75m of missing funds.

The suit also names the New York-based banking group's Swiss banking subsidiary and Confidas Finance et Placement, a Luxembourg-based associate which provides the bank's customers with fiduciary and trust services.

The proceedings relate to about £75m of the £371m in Polly Peck funds which the company's administrators contend were misappropriated by Mr Asil Nadir, Polly Peck's former chairman and chief executive. Civil and criminal proceedings are already under way against Mr Nadir.

According to the administrators the £75m was transferred from Citibank in London to Zurich where it was used by Mr Nadir for personal purposes. They also claim that "a substantial part" of the £75m was paid out through a web of offshore companies provided and managed for Mr Nadir by Confidas Finance.

The administrators, led in this action by Mr Christopher Morris of Touche Ross, claim that Citibank and the other defendants are liable because they knew or ought to have known of Mr Nadir's fraud.

Citibank said the suit would be "vigorously defended."

New Schroder £50m split trust

Schroder Investment Management yesterday launched a new investment trust, the Schroder Split Trust, writes John Authers.

Schroders is hoping to raise £50m from the launch, which is aimed at retail investors and brokers. The trust, which has a planned life of some nine years, has not been pre-placed with institutions.

The share structure includes income, capital and zero dividend preference shares. Income shares are priced at 100p and capital at 20p. The zero dividend preference shares, priced at 100p, have first call on the fund's assets, and carry a final capital entitlement of 203p on January 31 2002.

Gillette wins clearance from trade secretary for £285m Parker Pen bid

By Guy de Jonquières, Consumer Industries Editor

THE £285m bid for Parker Pen by Gillette, the US shaving and toiletries manufacturer, was cleared yesterday by Mr Michael Heseltine, trade and industry secretary, after a Monopolies and Mergers Commission inquiry found that the deal would not operate against the public interest.

According to the MMC, Parker supplies about half the value of UK sales of refillable pens, while the Waterman and Paper Mate brands, which Gillette already owns, account for a further 7 per cent.

The MMC found that any attempt to exploit its position in the retail market would be constrained by numerous competitors and the bargaining power of larger retailers.

The MMC was concerned that consumers could be misled by retailers' use of staff deployed by suppliers but not identified as such. Mr Heseltine said the Office of Fair Trading would investigate.

The proposed Parker acquisition, agreed in September, is still being studied in the US.

NEWS IN BRIEF

LASMO has signed contracts for the sale of gas from the Kadanwari field with the government of Pakistan and the Sui Southern Gas Company (SSGC). Gas will be processed on site and sold under a 15-year contract to SSGC. The field is due on stream in 1995 and is expected to meet about 10 per cent of Pakistan's current gas consumption.

MADDOX GROUP has acquired the principal assets and goodwill of Coventry-based Computer Profiles and Software Profiles for £150,000 cash and the assumption of certain obligations to a maximum £50,000. Net assets of the two companies amounted to some £100,000 at December 31 1992.

ROSS GROUP has subscribed a nominal sum for 49 per cent of Alfaross, a new company registered in Hong Kong and 51 per cent owned by Alfa Technology.

SALE TILNEY subsidiary Spraybake has been sold by the joint receiver to FKI. Spraybake employs 89 staff making paint spraying booths for the motor and industrial markets.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Benson Group ....int	0.1	Apr 6	nil	-	0.1
Brooke Tool ....fin	nil	-	nil	nil	0.25
Commercial Union ...fin	15.1	May 17	14.4	24.35	23.65
Kleinwort O'seas.......fin	1.8	Apr 23	1.7	3.3	3.2
Lloyds Abbey Life ......fin	11	May 4	11	17.3	17.3
Saints ....fin	1.11	Apr 5	1.06	4.35	4.12

Dividends shown pence per share net except where otherwise stated.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables

TODAY

Interims- Industrial Control, Newmark (Louis), Pantheon, Symonds Engineering.

Finals- BP, City Merchant High Yield, Crest Nicholson, Drayton Far East Trust, Finsbury Smaller Cos, General Cons Inv Trust, Lonrho, River & Mercantile Trust.

FUTURE DATES

Interims-

BBB Design	Feb. 26
European Smaller Cos	Feb. 23
Gent (SR)	Mar 3
Heggas (John)	Mar. 10
Macro 4	Feb. 25

Finals-

Braime (TF&JH)	Mar. 4
Exeter Pref Cap Inv	Feb. 18
Fairey	Mar. 8
Kleinwort Benson	Feb. 18
Pegasus	Feb. 19
Scottish Eastern Inv	Feb. 23
Throgmorton Trust	Feb. 17
Trust Of Property Shares	Feb. 18
USDC Inv Trust	Mar. 8
United Plantation	Feb. 19
Wembley	Apr. 22
Williams	Mar. 4
Wyevale Garden Centres	Mar. 8
Yeoman Inv Trust	Feb. 19

PUBLIC WORKS LOAN BOARD RATES

Effective February 9

	Quota loans*		
Years	EPT	Ann†	maturity§
			5¾
1	5⅞	5⅞	6¼
Over 1 up to 2	6⅛	6⅛	6⅝
Over 2 up to 3	6⅜	6⅜	7
Over 3 up to 4	6½	6⅝	7⅜
Over 4 up to 5	6¾	6¾	7¾
Over 5 up to 6	6⅞	7	8⅛
Over 6 up to 7	7	7⅛	8½
Over 7 up to 8	7¼	7½	8¾
Over 8 up to 9	7½	7⅝	9
Over 9 up to 10	8⅜	8⅞	9⅝
Over 10 up to 15	9½	9¾	9⅞
Over 15 up to 25	9⅞	9⅞	9⅞
Over 25			

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. ‡† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only

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COMMODITIES AND AGRICULTURE

Kuwait claims big oil production rise

By Mark Nicholson in Cairo

KUWAIT'S OIL production has leapt by 210,000 barrels a day in the past few weeks to 1.98m barrels a day, according to Mr Ali al-Baghli, the country's oil minister, who said any cut from that level would be "painful".

The minister, quoted in Kuwait's al-Anba newspaper, denied that the recent rise in production had contributed to slippage in the oil price and said Kuwait would discuss the proposals for the Organisation of Petroleum Exporting Countries to cut output during this weekend's meeting "with understanding and reason".

But the minister's comment that "a reduction would be painful for us" signals Kuwait's determination to retain output at levels as near present production as possible and resist pressure from fellow Opec members to subscribe to a ceiling much below 2m b/d.

For the last Opec agreement in November Kuwait undertook to produce 1.5m b/d and raise production only as market conditions allowed. Yesterday's figures, however, are well ahead of the oil ministry's previously stated targets for 1993, which put output at 1.85m b/d in the second quarter, 2.05m in the third and 2.15m b/d in the fourth. Kuwait's pre-Gulf war quota was 1.5m b/d, but it was lifting at least 2m b/d before the invasion.

Industry analysts viewed Mr al-Baghli's figures with some scepticism, suggesting that Kuwait's output was likely to be nearer the 1.778m b/d he announced in late January. "A figure of nearly 2m is a bit of posturing," said Mr Fareed Mohammedi, an analyst with Petroleum Finance Company in Washington. "The issue is where Kuwait is going to cut from, and they don't want to cut from 1.5m b/d, they want to cut from 1.9m b/d."

Last month's tour among Opec members by Mr Alirio Parra, the cartel's president, produced broad agreement, between Iran and Saudi Arabia in particular, that the organisation should seek to trim at least 1m b/d from its overall output to support prices, with the Saudis suggesting that the cuts should be pro-rata from all producers.

Mr Gholamreza Agazadeh, Iran's oil minister, was quoted yesterday on Tehran Radio as saying that the cut should be from Opec's nominal, but abused, ceiling of 24.58m b/d reached at its last meeting in November to 23.5m b/d. But he said that such a cut would merely sustain prices at present levels and that he would enter this weekend's meeting calling for a cut of more than 1m b/d. Most industry figures put Opec's actual present production at more than 25m b/d.

Price rise for rough diamonds

By Kenneth Gooding, Mining Correspondent

ROUGH DIAMOND prices are going up for the first time in nearly three years. De Beers, the South African group that controls about 80 per cent of the rough (uncut) diamond market, announced yesterday that it would be changing its prices and assortments from next Monday to produce an overall increase of 1.5 per cent.

Analysts suggest that this is another sign that De Beers has regained control over the market after a year when its grip seemed threatened by deep recession in many industrialised countries and an upsurge in smuggling out of Angola.

Last autumn the group told producers to cut agreed deliveries by 25 per cent as it struggled to bring supply and demand back into balance.

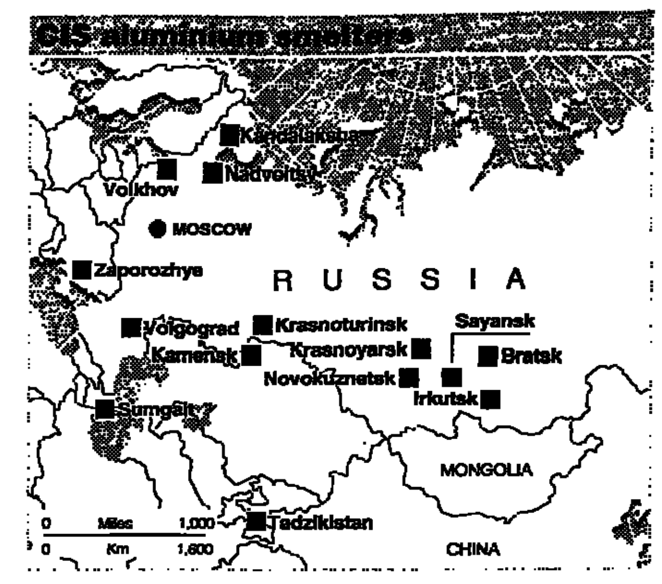
De Beers' London-based Central Selling Organisation said yesterday demand for particular categories of rough stones had recently been strong. "We think this will be sustained the market can absorb the price increase relatively easily."

Mr Michael Coulson, analyst at Credit Lyonnaise Laing, suggested: "The crisis has passed for the diamond market for the moment. De Beers obviously thinks the market has turned for the better".

Aluminium flood rings alarm bells in CIS

As exports have soared shortages have appeared at home, writes Kenneth Gooding

MR KARL WOBBE admits he seriously underestimated the ability of the Russian aluminium industry to keep production going against all the odds. "At the begining of 1992 I thought their industry would collapse because of raw materials shortages," he recalls. Instead, the smelters in the Commonwealth of Independent States are estimated to have produced about 3.1m tonnes of the metal last year, close to the industry's capacity of between 3.5m and 3.6m tonnes.



Much of that aluminium poured into western Europe, the nearest big consuming market, where it was paid for in currencies much more stable and desirable than the rouble.

That produced shortages in the CIS itself, even though the chaotic conditions there cut demand for aluminium substantially. For example, fish canning industries in Russia and the Ukraine were particularly vocal about aluminium shortages – among other things, the metal is used for canning caviar.

So both the European industry and the CIS authorities have good cause for concern about the continuing high level of aluminium exports.

Mr Wobbe, management board director responsible for aluminium production at VAW of Germany, says that during a recent visit to the CIS: "We got the feeling that the Russian aluminium industry wants to contact the European industry to find ways of improving the situation. They understand that most [west European] smelters are not making money. I feel they are now more willing to take part in discussions".

The question remains, however, who will do the talking for the CIS industry?

There is a great struggle going on about who should have control of the industry and take important decisions on its behalf. Much of CIS aluminium production has been controlled for the past two years by Concernalumini but that organisation now has a tarnished image, having failed to provide the hoped-for investment for modernisation. Now the power seems to be switching to a new Russian state organisation: the Committee for Metallurgy. This body has its own Committee for Aluminium with Mr Gregory Maslov at its head. Mr Maslov therefore seems likely to emerge as the most powerful individual in the CIS aluminium industry.

However, the recent turmoil has given individual smelter managers much more power – simply because they have the metal and the money it produces. And smelter managers are already at odds with the new state organisation about the terms for privatising the aluminium industry. They want 51 per cent of the shares in each smelter to be distributed to employees, 25 per cent to the local authority and 24 per cent to the state body. Mr Maslov and his committee want 51 per cent, leaving 25 per cent for local authorities and only 24 per cent for employees. The Russian parliament will decide this contentious issue in April.

Meanwhile, Russia has signalled that it wishes to cut aluminium exports by raising tariffs steeply this year. Compared with tariffs of Ecu50 (£41) a tonne in place at the end of 1992, the tariff for exports of primary aluminium has been lifted to Ecu130 a tonne and that for metal used in barter deals is up to Ecu205. To close a loophole that has allowed large quantities of metal – not just aluminium – to be exported under the guise of "scrap", the tariff on aluminium scrap has been bumped up to Ecu460 a tonne.

More aluminium is being shipped out to the US and Asia rather than Europe but, even though US import duties have been removed and the metal attracts a 6 per cent duty when entering the European Community area, the Russians say it is still cheaper to deliver to Europe and the London Metal Exchange.

In spite of the Russian efforts, European aluminium producers seem to have lost patience and are urging the European Commission to take action soon.

Mr Dick Dermer, president of the the European Aluminium Association, says that the market is being seriously distorted by CIS exports, which are "endangering the viability of the European aluminium industry.

"The European Community primary aluminium industry has for the past two years been operating at a loss as a direct result of the distortion in the aluminium market created by the dramatic and unexpected increase in exports from the CIS since 1990," he suggests.

His association started monitoring imports at the begining of 1992 and estimates that 600,000 tonnes of CIS aluminium reached the EC last year, up from 450,000 tonnes in 1991 and an average of about 82,000 tonnes a year before 1990.

The European producers say CIS imports have depressed aluminium prices on the London Metal Exchange – the most widely-used guide to world prices – and forced the European industry to make expensive production cuts. Europe accounts for about 25 per cent of world aluminium supply but is making a disproportionately large sacrifice as the industry cuts back because of low prices – 80 per cent of the 1.1m tonnes of world capacity that has been shut down is in Europe.

Mr Dermer says "the industry has no other option than to demand that the European Commission installs a transitional period of safeguard measures with regard to aluminium from the CIS".

He will given no details but other European executives say the industry wants the commission to limit CIS imports to 82,000 tonnes a year, the "normal" level before the surge in 1990, and it wants those quotas to include secondary (scrap) metal. Once that protection is in place, the EC authorities should jointly discuss how CIS producers could be helped "to adjust their sales and pricing policy to the market economy rules and mechanisms," says Mr Dermer

The EC should help the CIS to stimulate a revival of its domestic aluminium consumption, to rationalise and modernise existing facilities and to develop a workable legal system. "The community's primary aluminium industry is willing to assist in that process," he adds.

However, these proposals do not go unchallenged. Mr Tony Bird of the Anthony Bird Associates consultancy group, suggests that, not only would a quota system probably be illegal (Russia cannot be accused of dumping because its production costs are the lowest in the world and it is not selling aluminium at a higher price in its domestic market than in the west) neither would it work.

Mr Bird says: "Aluminium is a commodity. Russian aluminium is almost the same as anybody else's aluminium. The market for aluminium does not work in the same way as the market for cars or photocopiers. If it is displaced from one market, it can flow easily into another. So, if CIS metal is not allowed to enter the EC, it can instead be sold in a third country, which will then ship its own metal to the EC to compensate."

VAW's Mr Wobbe says CIS producers are keen to modernise their smelters but they want to pay back loans with the aluminium produced and banks are very reluctant to provide any cash while aluminium prices are as low as they are today.

VAW is working on a feasibility study for the modernisation of the Novokuznetsk smelter in Siberia. A new facility would be built alongside the existing smelter, which would be closed only once the new one was ready. This would boost output from 180,000 to 250,000 tonnes. The Russians want VAW to consider similar schemes at other smelters.

Mr Wobbe says the Novokuznetsk feasibility study (which the Russians are paying for) will be completed in May. "The problem then is to finance the project. The smelter is looking for a financial partner. I believe we can find the finance, but at present aluminium prices of $1,200 to $1,250 a tonne the profit would not be high. A higher aluminium price would certainly help.

"The [Russian metallurgy] committee understands the effect exports are having on prices and that's why it wants to strengthen its grip on aluminium – and all other raw material industries."

Gatt to set up banana row panel

By Frances Williams in Geneva

LATIN AMERICAN banana producers yesterday stepped up their fight against the European Community's present and future banana import policies within the General Agreement on Tariffs and Trade.

The body's governing council agreed to set up an independent disputes panel to examine whether the existing restraints on imports of "dollar" bananas operated by five EC member states breach international trade rules. The panel will report by the beginning of May, under expedited procedures following the breakdown of talks under the "good offices" of Mr Arthur Dunkel, the Gatt director-general.

Meanwhile, the five banana producers involved - Colombia, Costa Rica, Guatemala, Nicaragua and Venezuela - have served notice that they will challenge in Gatt proposals for an EC-wide banana import regime, which are due to come into force on July 1. They claim the measures will cost them $1bn in lost export earnings over the next two years.

The proposals, approved by EC ministers last December but still to be confirmed, would impose a prohibitive tariff on imports of dollar bananas beyond a 2m tonne quota while allowing unrestricted duty-free imports from higher-cost Caribbean suppliers with EC treaty ties. Latin American banana exports to the Community have expanded rapidly in recent years, rising to about 2.6m tonnes in 1992.

By the time the report of the panel set up yesterday has been adopted by the Gatt council the new Community rules may have already superseded the patchwork of restrictions now operated by Britain, France, Spain, Portugal and Greece. But the Latin American producers believe that a May panel verdict in their favour would help clear a legal pathway for a similar verdict later on the new measures. These, they allege, violate existing Gatt obligations, run counter to draft rules on farm trade under negotiation in the Uruguay Round of global trade talks, and threaten them with economic devastation.

EC farm ministers were last night still unable to unblock proposals they agreed in principle in December to set quotas and tariffs on banana imports from Latin America, writes David Gardner in Strasbourg.

A blocking minority made up of Germany, Denmark and the Benelux countries looked set to drag proceedings late into the night. Mr Rene Steichen, EC farm commissioner was holding firm to the proposals and the March 1 deadline to endorse them legally. The plan would fix a 2m tonnes quota on Latin American imports at an Ecu100 (£82) a tonne duty, with fruit imported above that level attracting an Ecu850 tariff.

Strong pressure was being brought to bear on the Netherlands and Belgium to agree the measures, as they had done in December, and the Dutch and Belgian ministers were understood to be seeking instructions from their governments.

US farmers seek protection against Canadian pasta wheat

By Bernard Simon in Toronto

THE INTERNATIONAL grain subsidy war has taken a strange twist with US farmers pressing for action against Canada's fast-rising share of the US domestic market for durum wheat.

Several US senators have threatened retaliatory action against Canada after a bilateral panel set up under the 1989 free trade agreement ruled this week that pricing methods used by the Canadian Wheat Board were acceptable pending review by an independent auditor.

Senator Max Baucus of Montana has introduced a Bill that would give Washington authority to impose special tariffs on Canadian wheat and require extra paperwork from importers.

US imports of durum from Canada soared to 225,000 tonnes in the final four months of last year, making it Canada's second biggest customer after India. Canada exported virtually no durum, which is used mainly for pasta, to the US before 1990; now it has about a quarter of the market.

The cut-throat price war in offshore markets has made the unsubsidised US domestic market one of the most lucrative for Canadian exporters.

For example, Washington last year provided a US$40 per tonne bonus under its Export Enhancement Program for a shipment to Algeria, which has traditionally been among Canada's biggest durum customers. The Algerians paid about $110 per tonne f.o.b., compared with the US domestic price of $150.

A Canadian Wheat Board spokesman yesterday ascribed Canada's success in the US market largely to "a very good quality product, which mills consistently from shipment to shipment." In addition, pasta's fast-growing popularity has raised per-capita consumption.

The free-trade panel urged the creation of a joint working group to oversee regular audits of Canadian durum shipments to the US.

WORLD COMMODITIES PRICES

MARKET REPORT

LME **COPPER** prices were depressed by Tuesday's unconvincing chart close, and eased back under stale bull liquidation. News that Polish copper miners had called off a strike alert underlined bearish sentiment. **ZINC** fell below important support around $1,110 for three-month metal, undermined by the absence of further production cut news. **ALUMINIUM** went into reverse after news of an unexpected 17,000 tonne rise in December IPAI producer stocks. Also, there is heavy technical resistance above $1,240 for three-month metal. **NICKEL** eased under technical liquidation, lacking follow-through to recent investment fund interest. But prices held stable around the lows. Robusta **COFFEE** futures finished with gains of $17 to $25 a tonne on key positions, but were below the day's highs as the market continued highly volatile. Dealers said technical factors remained dominant. Conditions remained very nervous and the threat of a resumed downtrend remained.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Mar)		+ or -
Dubai	$16.07-6.15	+.165
Brent Blend (dated)	$18.42-8.48	+.150
Brent Blend (Mar)	$18.37-8.43	+.150
W.T.I (1 pm est)	$20.25-0.29	+.220

Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$194-196	+1.0
Gas Oil	$175-176	+2.0
Heavy Fuel Oil	$71-72	+0.5
Naphtha	$176-177	-0.5
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$330.15	+2.0
Silver (per troy oz)♣	373.5c	+4.0
Platinum (per troy oz)	$368.00	+5.10
Palladium (per troy oz)	$117.50	+2.05
Copper (US Producer)	104.5c	
Lead (US Producer)	33.5c	
Tin (Kuala Lumpur market)	14.98r	+0.01
Tin (New York)	268.0c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	122.23p	+1.74*
Sheep (live weight)†♣	101.24p	+7.28*
Pigs (live weight)†	81.94p	+0.33*
London daily sugar (raw)	$208.0	+1.4
London daily sugar (white)	$257.0	+2.5
Tate and Lyle export price	£254.5	-0.5
Barley (English feed)	£139.0z	+1.25
Maize (US No. 3 yellow)	£165.0	
Wheat (US Dark Northern)	Unq	
Rubber (Mar)♥	69.25p	
Rubber (Apr)♥	69.50p	
Rubber (KL RSS No 1 Feb)	237.5m	
Coconut oil (Philippines)§	$440.0y	
Palm Oil (Malaysian)§	$420.0w	
Copra (Philippines)§	$282.5	
Soyabeans (US)	£164.5u	
Cotton "A" index	59.85c	-0.15
Wooltops (64s Super)	400p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Mar/Apr u-Feb/Apr x-Aug. w-Feb/Mar z-Mar. ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices * change from a week ago, provisional prices

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	187.00	183.00	187.00 182.00
May	192.00	192.00	191.00
White	**Close**	**Previous**	**High/Low**
Mar	260.00	253.10	260.00 252.50
May	260.00	255.70	260.00 256.00
Aug	262.80	259.20	262.10 258.50
Oct	247.80	245.00	247.00 243.00
Dec	246.80	245.00	245.00
Mar	244.00	248.00	244.00

Turnover: Raw 361 (123) lots of 50 tonnes. White 2537 (1085) Paris- White (FFr per tonne): Mar 1454.11 May 1467.28

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Mar	18.38	18.29	18.56 18.35
Apr	18.45	18.34	18.53 18.40
May	18.48	18.39	18.64 18.46
Jun	18.68	18.46	18.68 18.58
Jul	18.60	18.45	18.67 18.60
Aug	18.65		18.67 18.65
Sep	18.69		18.80 18.69
Oct	18.68		18.70 18.68
Nov	18.70		18.70
IPE Index	18.27	18.39	18.27

Turnover 37967 (43980)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Feb	170.75	169.00	172.00 170.00
Mar	172.00	170.50	173.00 171.00
Apr	171.50	169.50	172.25 170.75
May	171.00	168.75	171.50 171.00
Jun	170.50	168.50	171.25 170.50
Jul	172.50	170.25	172.50 172.00

Turnover 18733 (16239) lots of 100 tonnes

WOOL

Last week's accelerating decline in Australian wool prices went further this week, with a new low point for the present selling season reached on every day. The Australian Wool Corporation's market indicator was 457 cents a kg. on February 10, 31 cents or 6% lower than a week before. The lowest point reached in the previous 1991-92 season was 434 cents a kg.These are seriously uneconomic prices for most growers and some are withdrawing their wool at reserve prices of their own, or withdrawing it immediately prior to the auction.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Mar	721	712	724 713
May	733	724	736 725
Jul	746	737	749 739
Sep	759	752	763 754
Dec	780	772	781 771
Mar	800	791	802 792
Jul	828	821	827
Sep	842	838	845 839
Dec	862	861	868 863

Turnover: 4929 (4702) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne) Daily price for Feb 10 710.89 (705.10) 10 day average for Feb 9 716.91 (718.89)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
Mar	900	878	909 893
May	889	873	907 888
Jul	878	858	892 878
Sep	893	864	900 881
Nov	893	874	903 900
Jan	908	890	910

Turnover:3420 (6252) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 9: Comp. daily 54.36 (55.20) 15 day average 55.55 (55.85)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	44.0	43.9	44.0
May	46.0	46.5	46.1

Turnover 22 (129) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Feb	162.00		162.00
Apr	157.00		157.00
Aug	149.20	148.50	149.20

Turnover 250 (50) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Feb	1340	1345	1345 1335
Mar	1350	1365	1365 1347
Apr	1338	1345	1350 1335
Jul	1185	1195	1190 1180
BFI	1315	1309	1315

Turnover 265 (522)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Mar	142.70	143.25	143.00 142.60
May	143.80	144.80	144.30 143.80
Nov	113.10	113.45	113.40 113.10
Barley	**Close**	**Previous**	**High/Low**
Mar	137.90	138.15	138.10 137.90
May	139.10		139.10
Sep	108.75	139.00	109.10 108.75

Turnover: Wheat 144 (142), Barley 115 (45). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Mar	107.0	108.0	108.5
Jun	106.0	108.0	105.0
Jul	102.0	101.0	102.0

Turnover:5 (4) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 38,588 lots
Cash	1215-6	1219.5-20.5		1218-9		
3 months	1236-7	1241-2	1243/1335	1239.5-40	1236-7	170,713 lots
Copper, Grade A (£ per tonne)						Total daily turnover 35,715 lots
Cash	1556-7	1562-3	1548	1548-9		
3 months	1579-80	1585-6	1579/1569	1571.5-2.0	1580.5-1.5	158,235 lots
Lead (£ per tonne)						Total daily turnover 2,697 lots
Cash	290.5-1.0	288.5-9.5		289.5-9.75		
3 months	300.300.5	298.5-9.0	301/299	298-9.5	300-1	17,884 lots
Nickel ($ per tonne)						Total daily turnover 9,403 lots
Cash	6010-20	6110-15	6003/6000	6003-5		
3 months	6070-80	6170-5	6140/6060	6063-5	6060-70	43,630 lots
Tin ($ per tonne)						Total daily turnover 1,848 lots
Cash	5830-40	5830-5	5822/5820	5822-5		
3 months	5890-900	5890-5	5895/5880	5885-90	5890-5	8,984 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 10,905 lots
Cash	1085.5-6.5	1092.5-3.5	1086/1085	1084-5		
3 months	1105.5-6.0	1112-3	1112/1103	1104-5	1105-6	65,363 lots

LME Closing £/$ rate:
SPOT: 1.4263 3 months: 1.4181 6 months: 1.4065 9 months: 1.4034

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	330.00-330.30	
Opening	328.60-328.90	
Morning fix	328.70	229.139
Afternoon fix	329.85	230.858
Day's high	330.15-330.45	
Day's low	328.40-328.70	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.18	6 months	2.17
2 months	2.18	12 months	2.30
3 months	2.17		

Silver fix	p/troy oz	US cts equiv
Spot	258.45	371.25
3 months	262.20	373.90
6 months	265.55	378.95
12 months	272.05	383.75

GOLD COINS

	$ price	£ equivalent
Krugerrand	329.60-332.50	230.00-232.00
Maple leaf	339.85-341.90	-
New Sovereign	78.50-81.50	54.00-58.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	Jun	Mar	Jun
1200	30	63	6	16
1225	15	47	16	25
1250	6	34	32	37
Copper (Grade A)	**Calls**		**Puts**	
2200	48	82	12	41
2250	19	56	35	65
2300	5	36	71	94
Coffee	**Mar**	**May**	**Mar**	**May**
850	51	69	3	30
900	16	43	18	54
950	3	26	55	87
Cocoa	**Mar**	**May**	**Mar**	**May**
675	48	71	-	13
700	24	54	3	21
725	9	39	13	31
Brent Crude	**Apr**	**May**	**Apr**	**May**
1800	60	-	-	42
1850	52	-	46	59
1900	29	42	-	-

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Feb	333.4	329.4	333.8	330.3
Apr	333.6	329.6	333.8	330.3
Jun	335.1	330.8	335.3	331.6
Aug	336.4	332.1	336.6	333.7
Oct	337.9	333.6	337.9	335.7
Dec	339.4	335.1	339.8	336.4
Feb	341.0	336.7	341.0	338.6
Apr	342.6	338.5	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Feb	369.8	369.8	0	0
Apr	370.5	367.6	372.5	369.0
Jul	369.0	365.1	370.0	368.0
Oct	367.5	363.9	367.5	367.0
Jan	368.0	361.8	368.0	368.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Feb	375.6	369.3	0	0
Mar	376.2	370.0	376.5	370.5
May	378.8	372.5	379.5	373.5
Jul	381.2	374.8	382.0	380.5
Sep	383.7	377.2	383.5	379.0
Dec	387.4	380.9	388.0	382.0
Jan	388.3	381.8	0	0
Mar	391.7	395.2	393.0	390.0
May	394.5	388.0	395.5	395.5
Jul	397.5	391.0	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	98.70	99.35	99.25	98.65
Mar	98.95	99.70	99.60	98.80
Apr	99.30	100.05	0	0
May	99.60	100.35	100.40	99.50
Jun	99.85	100.60	100.60	100.60
Jul	100.10	100.80	100.85	100.30
Aug	100.35	101.00	101.20	101.20
Sep	100.60	101.20	101.30	101.30

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Mar	20.21	20.06	20.45	20.20
Apr	20.20	20.04	20.43	20.20
May	20.20	20.05	20.42	20.20
Jun	20.28	20.07	20.41	20.25
Jul	20.26	20.10	20.40	20.25
Aug	20.29	20.12	20.40	20.28
Sep	20.30	20.15	20.44	20.30
Oct	20.37	20.17	20.37	20.32
Nov	20.37	20.17	20.42	20.37
Dec	20.37	20.16	20.44	20.30

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Mar	56.80	56.34	57.55	56.80
Apr	56.35	55.89	57.05	56.35
May	55.60	55.32	56.20	55.60
Jun	55.40	54.97	55.75	55.40
Jul	55.50	55.07	56.00	55.56
Aug	56.15	55.62	56.30	56.00
Sep	56.72	56.72	0	0
Oct	57.72	57.72	0	0
Nov	58.52	58.52	0	0
Dec	59.90	59.32	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	889	887	898	883
May	922	918	932	915
Jul	950	945	960	945
Sep	978	973	985	975
Dec	1010	1007	1015	1007
Mar	1039	1036	1051	1040
May	1060	1057	1060	1060
Jul	1080	1077	1090	1090
Sep	1107	1104	1113	1113
Dec	1145	1146	1139	1135

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	61.65	59.30	61.65	58.30
May	65.85	63.85	66.00	62.80
Jul	67.95	65.80	68.00	64.70
Sep	70.00	67.80	70.00	66.50
Dec	72.75	70.50	73.00	70.00
Mar	76.00	73.00	0	0
May	78.56	75.30	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.57	8.15	8.59	8.53
May	9.14	8.84	9.20	8.84
Jul	9.24	8.86	9.34	8.96
Oct	8.92	8.68	8.95	8.73
Mar	8.83	8.67	8.90	8.80
May	8.82	8.72	8.85	8.85
Jul	8.85	8.79	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	62.25	60.25	62.25	60.25
May	63.10	61.15	63.10	61.15
Jul	63.85	61.95	63.85	62.05
Oct	63.13	61.80	63.10	62.00
Dec	62.12	61.10	62.15	61.25
Mar	62.80	61.95	62.80	61.87
May	63.50	62.60	0	0
Jul	64.05	63.12	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	67.70	66.00	68.20	66.00
May	71.40	70.20	71.90	70.20
Jul	74.50	72.90	75.00	73.20
Sep	77.60	77.00	78.00	77.50
Nov	80.60	79.95	81.30	81.25
Jan	84.30	83.50	85.00	84.05
Mar	87.05	86.50	87.05	87.05
May	87.05	86.25	0	0
Jul	87.05	86.25	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Feb 10	Feb 9	mnth ago	yr ago
1743.1	1736.9	1711.4	1665.6

DOW JONES (Base: Dec. 31 1974 = 100)

	Feb 9	Feb 8	mnth ago	yr ago
Spot	122.60	122.00	123.73	118.75
Futures	123.77	122.85	123.11	121.90

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	569/6	568/2	569/4	567/4
May	571/6	570/6	572/2	570/4
Jul	576/6	576/0	577/2	575/4
Aug	578/2	578/2	579/2	578/0
Sep	579/4	579/0	580/0	579/0
Nov	586/2	585/4	587/0	585/0
Jan	594/2	592/6	594/4	592/6
Mar	601/4	600/0	602/0	601/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	20.79	20.66	20.88	20.64
May	21.02	20.92	21.10	20.89
Jul	21.21	21.10	21.28	21.10
Aug	21.28	21.18	21.36	21.23
Sep	21.31	21.22	21.38	21.29
Oct	21.34	21.25	21.40	21.33
Dec	21.46	21.36	21.50	21.40
Jan	21.50	21.42	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	177.7	178.2	178.7	177.4
May	178.6	179.4	179.7	178.5
Jul	180.7	181.1	181.4	180.5
Aug	181.6	182.0	182.4	181.5
Sep	182.5	183.0	183.2	182.4
Oct	183.6	184.0	184.2	183.6
Dec	185.7	186.1	186.2	185.5
Jan	186.5	186.7	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	213/4	213/4	214/2	212/6
May	221/2	221/2	222/0	220/6
Jul	228/4	228/4	229/2	226/0
Sep	234/4	234/0	235/0	234/0
Dec	240/6	240/2	241/2	239/6
Mar	247/4	246/6	247/4	246/2
May	251/6	251/2	251/6	251/0
Dec	250/0	249/2	250/0	250/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	368/0	367/0	368/2	364/2
May	345/0	343/6	345/6	342/2
Jul	325/2	322/4	326/0	322/0
Sep	329/2	327/0	329/6	325/4
Dec	337/0	334/2	338/0	333/4
Mar	341/4	338/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	81.800	80.950	81.875	81.225
Apr	79.550	79.050	79.725	79.300
Jun	73.850	73.525	74.050	73.600
Aug	71.775	71.625	72.000	71.650
Oct	73.075	72.975	73.300	73.000
Dec	73.600	73.475	73.675	73.450
Feb	81.800	80.950	81.875	81.225

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	44.775	43.750	44.850	43.925
Apr	44.825	43.350	44.850	43.900
Jun	49.775	48.625	49.800	49.000
Jul	48.650	47.750	48.850	47.850
Aug	46.200	45.500	46.350	45.650
Oct	41.800	41.250	41.800	41.350
Dec	42.800	42.500	42.925	42.650
Feb	42.800	42.600	42.800	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	36.950	35.750	37.600	36.200
Mar	37.125	36.225	37.625	36.600
May	38.225	37.125	38.875	37.450
Jul	38.425	37.350	39.025	37.850
Aug	37.250	36.150	37.600	36.500

LONDON STOCK EXCHANGE

Share prices continue to give ground

By Terry Byland, UK Stock Market Editor

BID speculation provided the few firm features yesterday in a UK stock market where caution on the near-term outlook still prevailed. The latest of the expected flow of rights issues – a call for £428m from Commercial Union and a very small fund-raising from Stonehill – were taken comfortably but the conglomerates sector was on alert for a convertible issue this morning.

Investors now face a heavy run of trading statements from the leading names of British industry, beginning today with British Petroleum, BT and BOC Group.

Equities opened lower but rallied well until one UK house began to sell the March contract on the FT-SE 100 Index which quickly collapsed to a discount against the underlying stock market.

Share prices quickly followed suit as the securities house unloaded blue chip stocks. The pace was set by a sharp fall in Reuters in London after the shares had been hit hard on Wall Street overnight.

At worst, the Footsie was more than 21 points off with London looking nervous as New York opened lower. But the initial fall on the Dow Industrial Average was trimmed to 2.97 in UK hours, and late weakness in sterling was again interpreted as good for Britain's export stocks while not inhibiting chances of a base rate cut in the Budget in March.

The FT-SE 100 closed at 2,816.4, a net 14.9 down, with the 2,800 mark still unchallenged, at least for the time being. Profit-taking spread across the range of the stock market and the FT-SE Mid 250 Index weakened 17.9 to 3,001.9.

Seaq volume slipped to 616.1m shares from the 694.8m recorded in the previous session; Tuesday's retail business was worth £1.58bn, in the higher range of recent daily averages.

The renewed weakness in the pound is working to the benefit of share prices in London, according to Mr Marcus Grub at Salomon Brothers. He also believes that the Bundesbank will ease policy in the face of a slowing economy in Germany. The setback in sterling which followed the currency's exit from the ERM network provided a mirror image of the rise in the UK stock market between September and December last year.

The mood in equities appeared less negative yesterday than on Tuesday, and the overall picture was more irregular than the fall in the Footsie might suggest. Oil shares, which have been very firm for some days, encountered cautious profit-taking as the sector braced itself for trading figures today from BP. Food retailers, casualties in the recent selling bout, found buyers.

Bank stocks were firmer but the impetus here came from speculative activity rather than from views on the trading experiences likely to be revealed very shortly by the big UK houses. Suggestions of bid moves against some of the weaker names in the financial sector have been heard before and traders saw no new factors this time.

The relatively favourable reception for the rights issue from Commercial Union still left share prices vulnerable to further fund-raising moves. Some analysts, however, believe that, at present interest rate levels, corporate finance directors may be looking at the bond and convertible bond markets rather than at equities as venues for fund-raising.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
AGT	27	510	+5
ASDA Group	13,000	50¼	−1½
Abbey National	3,000	365	
Albert Fisher	11,000	69	+3
Allied-Lyons	1,200	586	−3
Amstrad	2,300	23	−1
Anglian Water	485	482	−3
Argos	37	274	+2
Argyll Group	3,500	367	+6
Arjo Wiggins	2,200	182	+1
Ass. Brit. Foods	419	465	+4
Ass. Brit. Ports	448	368	−15
BAA	2,900	774	+4
BAT Inds.	1,100	870	−6
BET	1,600	97	−4
BICC	313	353	−1
BOC	897	739	+3
BP	13,000	266	−5
BPB Inds.	2,800	209	−1
BT	6,100	408	−7
BT New	5,700	303	−7
BTR	2,800	551	−6½
Bank of Scotland	3,800	127½	
Barclays	3,200	417	−6
Bass	3,100	603	−7
Berisford Int.	208	121	+1
Blue Circle	1,000	215	−4
Booker	303	416	+1
Boots	1,500	486	−4
Bowater	1,100	480	−5
Brit. Aerospace	1,300	260	−1
British Airways	6,300	295	−4
British Gas	6,600	285	+1½
British Land	635	228	−4
British Steel	3,900	75¼	+1
Bunzl	611	130	+1
Burmah Castrol	57	700	−3
Burton	653	77	−2
Cable & Wire.	2,200	719	−2
Cadbury Schweppes	2,500	467	+6
Calor Group	116	251	−2
Carlton Comms.	1,900	757	+7
Coats Viyella	709	222½	+½
Comm. Union	2,900	610	+12
Cookson	2,600	206	
Courtaulds	1,100	583	+1
Dalgety	898	474	−2
De La Rue	845	883	−7
Dixons	1,200	217	+1
Eastern Elect.	913	427	−5
East Midland Elect	391	420	−4
Eng China Clays	459	451	−4
Enterprise Oil	943	495	−9
Eurotunnel Units	536	450	−10
FKI	374	120	
Fisons	5,800	246	+10
Forte	7,700	186	−4
Gen. Accident	1,500	569	−26
General Elect.	4,000	292	
Glaxo	5,400	685	+12
Glynwed Intl.	265	261	
Granada	1,400	366	−3
Grand Met.	2,100	437	−7
GUS A	89	1593	−10
GRE	3,800	167	−3
GKN	870	452	−6
Guinness	2,100	487	−3
HSBC (75p shs)	1,900	577	+1
Hammerson 'A'	16	285	−4
Hanson	4,000	258½	−1
Hanson Warrants	2,300	30	−½
Harrisons Crosfield	1,900	169	+2
Hillsdown	1,000	144	
IMI	942	280	+1
ICI	972	1145	−26
Inchcape	896	589	−7
Kingfisher	1,000	516	−10
Kwik Save	256	802	+7
Ladbroke	2,500	197	−3
Land Securities	455	485	
Laporte	198	657	
Legal & General	1,200	481	−14
Lloyds Abbey	1,800	445	+2
Lloyds Bank	3,100	515	−2
LASMO	4,300	163	−7
London Elect.	474	433	−5
Lonrho	824	79	
Lucas	3,300	139	−6
MB Caradon	1,300	305	
MEPC	1,600	369	−5
Manweb	211	487	−7
Marks & Spencer	5,100	328	−6
Midlands Elect.	627	456	−6
Morrison (Wm.)	2,300	155	−1
NFC	272	286	−1
NatWest Bank	4,600	432	−1
National Power	1,100	295	
Next	706	142½	−1½
North West Water	682	489	−2
Northern Elect.	558	478	−9
Northern Foods	2,400	257	−4
Norweb	127	470	−4
Pearson	357	368	+5
P & O	654	581	−2
Pilkington	1,800	108	+1
PowerGen	612	298	−½
Prudential	3,700	304	−5
RMC	318	580	−1
RTZ	1,700	659	−17
Racal	165	184	−1
Rank Org.	1,200	705	−5
Reckitt & Colman	355	614	−3
Redland	1,000	454	−6
Reed Intl.	924	663	−1
Rentokil	798	214	
Reuters	3,400	1316	−66
Rolls Royce	1,300	125	−3
Rothmans	734	595	−6
Ryl Bk Scotland	2,100	228	−3
Royal Insurance	7,100	273	+4
Saatchi	754	196	+1
Sainsbury	1,800	529	
Scottish & New.	444	497	−1
Scot. Hydro-Elect.	471	245	−2
Scottish Power	1,000	221	−3
Sears	3,800	101	−1
Sedgwick	170	179	
Seeboard	220	465	−6
Severn Trent Water	868	482	−1
Shell Transport	8,700	569	−7
Siebe	1,900	478	−10
Slough Ests.	568	183	−2
Smith (W.H.) A	244	417	−3
Smith & Nephew	2,300	161	−½
SmKl Beecham	3,600	446	−2½
SmKl Beecham Uts.	3,200	392	+3
Smiths Inds.	777	367	−4
Southern Elect.	380	428½	−8½
South Wales Elect.	198	495	−8
South West Water	122	516	−2
South West. Elect.	481	469	−8
Southern Water	256	488	−4
Standard Chartd.	1,600	631	+21
Storehouse	19,000	184	−10
Sun Alliance	5,400	336	+3
T&N	790	176	−3
TI Group	1,900	305	−8
TSB	9,600	171	+8½
Tarmac	377	113½	+½
Tate & Lyle	431	410	+1
Taylor Woodrow	315	77	
Tesco	7,900	239	+5
Thames Water	1,000	503	−1
Thorn EMI	1,000	864	−1
Tomkins	2,800	252	+3
Trafalgar House	3,100	86½	+2
Unigate	217	328	−3
Unilever	1,800	1149	−5
United Biscuits	2,000	357	−5
Utd. Newspapers	1,200	539	−1
Vodafone	1,400	390	
Warburg (SG)	331	596	−4
Wellcome	371	893	−2
Welsh Water	357	653	+1
Wessex Water	408	507	
Whitbread 'A'	1,100	475	
Williams Hldgs.	604	347	+5
Willis Corroon	702	189	−2
Wimpey	378	136	−1
Wolseley	878	552	−3
Yorkshire Elect.	654	488	−5
Yorkshire Water	171	538	

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:		
Feb 1	Feb 15	Mar 1
Option Declarations:		
Feb 11	Feb 25	Mar 11
Last Dealings:		
Feb 12	Feb 26	Mar 12
Account Day:		
Feb 22	Mar 8	Mar 22

*New time dealings may take place from 8.30am two business days earlier.

Fisons in the bid frame

TAKEOVER speculation over Fisons increased yesterday, partly as a result of heavy trading in the derivatives market by Morgan Stanley, the US investment bank and securities house. The whole drugs sector was in favour again, rebounding from its recent poor performance on the belief that losses related to US healthcare reforms had been overdone. However, Fisons ended the day, against the overall market trend, as one of the strongest performers in the FT-SE Index of London's 100 most highly valued stocks.

Rumours have circulated around the company for some time but speculation has increased over the past few days. One bearish analyst said yesterday: "The company is an obvious takeover target because the management has lost credibility." Hanson, French group Rhone Poulenc, and ICI's soon to be demerged pharmaceuticals arm Zeneca, were cited as companies that might be interested in making an offer. Fisons shares avoided the malaise in the market on Tuesday and yesterday the shares added 10 at 246p. Turnover of 5.8m was at the high end of average volumes and was further boosted by the equivalent of another 2.5m shares in the options market.

Insurers troubled

The well-flagged £428m rights issue by Commercial Union caused no real problems for the shares, which bounced after an initial markdown by dealers and a brief flurry of selling. But it troubled other composites as the market focused on the next potential group to raise equity capital.

CU shares dropped to 580p following the cash-call news before stabilising and staging a strong upward push to close 12 higher at 610p. Mr Trevor May, insurance analyst at BZW, said the market's support reflected the company's "proven track record" but cautioned that the shares were "fully valued". Other specialists were more enthusiastic. Mr Youssef Ziai, at Morgan Stanley, said worries about a cash call had acted as a brake on the shares and he now expected a period of outperformance.

Switching out of General Accident to take up the CU "rights" and worries that GA may be the next insurer to raise capital, saw the former's shares 26 weaker at 569p. It was pointed out that GA followed CU in raising capital via preference issues last year. Guardian Royal eased 3 to 167p but was not seen as likely to launch any fund-raising short term. Nor was Royal, 4 better at 273p.

Reuters hit

News and information company Reuters Holdings dropped sharply on selling from the US following the company's results statement on Tuesday, as well as some disillusionment among UK investors.

Reuters shares were below 1200p at one stage and closed a net 66 lower at 1316p on active turnover of 3.4m, the highest for almost a year. The slide was prompted principally by a fall of $3¾ in the American Depositary Receipts on Wall Street ahead of a results presentation for US analysts. In addition, agency broker James Capel reiterated its sell recommendation, arguing that the stock was over-rated and needed to fall another 100p before reaching a justifiable level.

A barrage of sell recommendations unsettled the oil majors, where BP dipped 5 to 266p and Shell 7 to 588p.

Mr Jeremy Hudson, oil analyst at Lehman Brothers, described both stocks as trading sells ahead of this weekend's Opec meeting. He said BP has risen 46 per cent since the dividend cut last August and had outperformed the FT All-Share Index by 11 per cent during the last month. "There is very little room for disappointment at the Opec meeting or for any reversal of the pound against the dollar," said Mr Hudson, who added that current valuations now appear to discount most of the strong 1994 earnings recovery prospects. NatWest Securities adopted a bearish stance on Shell, citing "awful margins in refining and chemicals".

There was no let-up in takeover speculation surrounding the bank sector, with old favourites Standard Chartered and TSB both sharply higher on stories that Lloyds Bank could be about to embark on a big bid.

Lloyds is scheduled to announce preliminary results tomorrow. TSB closed 8½ up at 171p on heavy turnover of 9.6m shares but remained well below the 179p all-time peak they achieved at the start of last week when the latest spate of rumours first emerged. Standard Chartered, due to report 1992 profits well ahead of last year's £205m on March 10, jumped 21 to 631p. Lloyds held at 515p.

Trafalgar House gained 2 to 86½p on talk that an expected cash call would be in the form of convertible stock issued to shareholders and amount to between £200m and £300m.

Cadbury-Schweppes gained 6 at 467p on talk of a positive note and upgrade by S.G. Warburg. While moving its figures from the bottom to mid-range in the market, Warburg was seemingly pointing up Cadbury's currency attractions and the fading need for a rights issue as a result.

Selected food retailers bounced after the recent pounding on the back of VAT fears. Argyll Group gained 6 to 367p, Kwik Save 7 to 802p and Tesco 5 to 239p. J. Sainsbury missed the party, the shares under a shadow from a line of unplaced stock. They closed steady at 529p. However, Albert Fisher managed to place its overhang and the shares rose 3 to 69p. Turnover was a large 11m.

Bid talk around Alexon refused to die, the shares adding a penny at 82p. Boots shed 4 to 486p on worries over NHS prescription costs. Kingfisher fell 10 to 516p on concern over the rights issue to fund its supposed purchase of Darty, the French electrical retailer. Storehouse confirmed the departure of its chief executive and it lost 10 to 184p.

ICI fell 26 to 1145p after investors sold heavily in the US on Tuesday night. There was also growing concern that actual and expected rights issues, combined with the UK government's heavy gilts programme, would drain money from the market and cast doubt over any ICI fund-raising exercise. If ICI is unable to raise money after its results on February 25, some analysts are doubtful over the likelihood of the proposed split between the chemicals and pharmaceuticals arms going ahead.

BOC firmed 3 to 739p ahead of figures today. The market is looking for a first quarter profit of about £89m.

Shares in Simon Engineering tumbled after the company revealed a £5m contract loss. The news prompted analysts to reduce profit forecasts and the shares fell 20 to 119p.

Bid talk in Vickers gathered momentum and the shares jumped 8 to 132p. Industrial group Charter Consolidated, which sold its stake in Johnson Matthey on Tuesday, was once again mentioned as a likely predator. Charter shares were a penny easier at 655p while those of Johnson fell 5 to 468p.

Late selling of Lucas Industries saw the shares give up 6 to 139p in trade of 3.3m. The company has been seeing analysts and some said trading conditions in the automotive division are worse than expected, although this might be offset by tough cost-cutting plans.

Heavy two-way business persisted for a third day in Forte, with dealers saying that buying led by James Capel was being met by bears in the market still convinced that the dividend may be at risk. After gaining against the market trend, the shares lost 4 to 186p.

French press talk persisted over changes being planned by Walt Disney management to their arrangement with Euro Disney which would be beneficial to the latter's shareholders. The shares surged, but later retreated to close just 2 ahead at 915p.

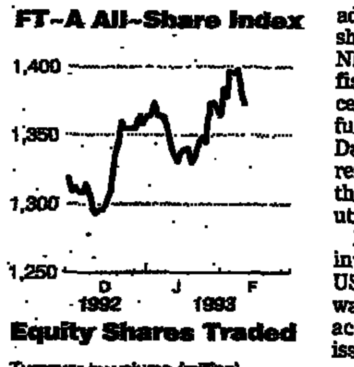
Rights issue talk pervaded the drinks stocks with the usual favourite, Allied Lyons, being joined by Grand Metropolitan. According to market gossip, GrandMet was casting around to make a £200m plus call in order to finance debt and a possible acquisition. Its shares weakened 7 to 437p, with Allied 3 off at 586p.

Market rumours ahead of the latest consultation from Ofwat, the water regulatory authority, proved wide of the mark. The paper, released yesterday, said that Ofwat would "look carefully" at the way growth is financed.

MARKET REPORTERS:
Christopher Price,
Joel Kibazo, Peter John,
Steve Thompson.

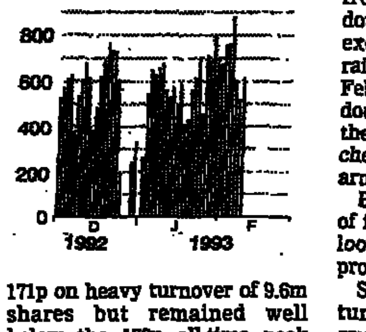
■ Other market statistics, Page 18

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1992/93

NEW HIGHS (105).
BRITISH FUNDS (8) Funding 3½pc 1999-2004, Tr 2½pc I-L 2001, Tr 2½pc I-L 2003, Tr [illegible] ... [illegible] FORMING (1) Ferraris. MISC [illegible] Danka Bus. Systems, Great Southern, Portmeirion Potts. OIL & GAS (5) Aran Energy, Monument, Norsk Hydro, Ohio Res., Ramco. OTHER FINCL (2) First National Finance Do 6.3pc Cv Pf. OTHER INDLS (1) Vinten. PACKG, PAPER & PRINTG (5) Carnaud, Ensr-Gutzeit, Lawson Mardon, Metalbox, MY. STORES (1) Oriflame. WATER (3) Cheam A, Do B, Welsh.

NEW LOWS (6).
BLDG MATLS (1) Cirudain. CONTG & CONSTRCN (1) Amco. ELECTRONICS (1) Standard Platform. FOOD MANUF (1) Dalepak. MISC (2) Hornby, Toye.

FINANCIAL TIMES EQUITY INDICES

	Feb 10	Feb 9	Feb 8	Feb 5	Feb 4	Year ago	High	Low
Ordinary share	2174.7	2194.0	2226.1	2218.6	2218.9	1963.3	2226.1	1670.0
Ord. div. yield	4.35	4.31	4.25	4.28	4.28	4.65	5.34	4.23
Earning yld % full	5.93	5.87	5.79	5.82	5.83	6.92	-	-
P/E ratio net	21.51	21.72	22.01	21.89	21.87	18.13	22.01	15.79
P/E ratio nil	19.84	20.04	20.30	20.19	20.17	17.10	-	-
Gold Mines	90.3	81.6	78.6	79.0	78.3	144.3	180.6	60.0

*for 1992/93. Ordinary share index since compilation: high 2226.1 8/2/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2186.7	2186.5	2191.1	2184.2	2187.0	2185.6	2184.1	2175.0	2172.9	2192.1	2172.7

Volume	Feb 10	Feb 9	Feb 8	Feb 5	Feb 4	Year ago
SEAQ Bargains	30,685	34,101	36,856	35,741	41,784	28,978
Equity Turnover(£m)†	-	1582.6	1026.2	1474.6	2141.3	811.9
Equity Bargains†	-	39,649	41,077	40,997	47,709	28,694
Shares traded (mil)†	-	606.8	526.5	605.2	889.3	372.6

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

MORE RIGHTS issue fears, coupled with a general lack of buying interest, led to a lack-lustre day in derivatives yesterday, writes Joel Kibazo.

The early announcement of a cash call from Commercial Union was at first poorly received and the March contract on the FT-SE 100 Index opened weakly at 2,823.

However, the view that the funds were to be put to good use helped to steady nerves and the March contract shrugged off the early gloom to move into positive territory on sporadic buying, mainly from independent traders.

That positive mood received a sharp knock when a leading securities house moved to sell the contract. March fell sharply and was soon trading at a discount to the underlying cash market, which had followed it down.

With a dull Wall Street and few buyers, March fell to a day's low of 2,808 at 2.50pm. But a feeling that the contract's fall had been overdone, together with general short-covering, helped it rally in the last half-hour of trading.

March finished at 2,827, down 6 from the previous close and at a premium of 12 to cash. Turnover fell to 9,918 lots.

In traded options, a total of 30,523 contracts had been dealt by the close, with some 7,616 lots transacted in the FT-SE 100 option. Tesco was the most active stock option with volume of 2,733 contracts.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2816.4 −14.9	3001.9 −17.9	1374.08 −7.30

	Feb 10	Day's change %	Feb 9	Feb 8	Feb 5	Year ago	Earnings yield %	Dividend yield %	P/E Ratio	Xd adj ytd
FT-SE 100	2816.4	−0.5	2831.3	2870.0	2862.9	2523.7	6.31	4.34	20.36	3.51
FT-SE Mid 250	3001.9	−0.6	3019.8	3051.4	3050.5	2466.2	6.90	4.33	18.38	5.92
FT-SE-A 350	1390.8	−0.5	1398.4	1416.5	1413.7	1223.8	6.44	4.34	19.89	1.94
FT-SE SmallCap	1516.38	−0.4	1522.51	1526.82	1524.33	−	5.45	4.22	25.60	2.63
FT-SE SmallCap ex Inv Trusts	1518.35	−0.5	1525.37	1532.36	1527.58	−	6.08	4.49	23.52	2.71
FT-A ALL-SHARE	1374.08	−0.5	1381.38	1398.63	1395.67	1209.82	6.38	4.33	20.16	1.96
1 CAPITAL GOODS(211)	922.11	−0.7	928.99	940.30	940.40	777.04	6.13	4.67	21.35	1.33
2 Building Materials(27)	954.58	−0.4	958.25	976.46	979.25	944.30	5.34	5.65	26.65	0.77
3 Contracting, Construction(29)	821.35	−0.4	824.33	829.68	822.12	877.94	3.07	5.92	80.00†	0.20
4 Electricals(14)	2691.43	−0.6	2706.55	2726.25	2770.46	2445.12	6.02	5.40	21.81	1.02
5 Electronics(35)	2490.32	−0.2	2494.60	2519.22	2518.68	1764.71	6.35	3.42	19.93	14.05
6 Engineering-Aerospace(7)	346.96	−1.2	351.30	357.30	363.99	316.62	10.20	6.76	12.49	0.00
7 Engineering-General(52)	553.08	−0.8	557.59	560.64	557.10	482.10	7.31	4.30	17.49	0.95
8 Metals & Metal Forming(11)	358.86	+0.1	358.26	367.56	371.36	328.99	4.86	3.68	29.90	0.29
9 Motors(18)	388.32	−2.0	396.08	404.91	404.26	303.27	5.10	6.03	28.85	0.00
10 Other Industrials(18)	2005.15	−1.1	2027.10	2046.30	2041.29	1578.09	6.20	4.24	19.58	0.39
21 CONSUMER GROUP(232)	1680.38	−0.3	1685.58	1714.93	1708.63	1648.98	6.96	3.51	17.89	2.80
22 Brewers and Distillers(28)	1960.76	−0.8	1977.55	2012.11	2004.63	2059.31	8.59	3.87	14.19	10.18
25 Food Manufacturing(22)	1358.55	−0.1	1360.35	1376.96	1375.19	1256.53	7.74	3.84	16.14	1.46
26 Food Retailing(18)	3151.22	+0.5	3134.30	3236.97	3275.77	2539.23	8.08	3.33	16.11	0.54
27 Health & Household(29)	3809.42	+0.8	3780.89	3843.38	3765.09	4416.88	5.84	2.97	19.95	0.54
29 Hotels and Leisure(20)	1319.02	−0.8	1329.14	1338.32	1332.28	1283.18	6.44	5.22	20.37	6.37
30 Media(33)	1840.48	−1.4	1866.67	1890.51	1898.29	1488.65	5.64	2.83	22.10	1.36
31 Packaging and Paper(23)	817.05	−0.4	820.59	837.22	840.83	753.74	6.54	3.97	18.85	0.57
34 Stores(39)	1097.61	−1.2	1111.06	1131.72	1132.68	1032.38	6.51	3.30	20.39	1.25
35 Textiles(20)	774.93	−0.2	776.38	783.37	784.45	623.65	6.36	4.10	19.92	0.00
40 OTHER GROUPS(142)	1472.39	−0.8	1483.54	1495.36	1493.13	1210.88	8.31	4.72	14.84	3.16
41 Business Services(27)	1594.24	−0.8	1606.84	1629.50	1631.21	1366.51	5.63	3.23	21.92	0.14
42 Chemicals(23)	1487.92	−0.9	1502.18	1509.73	1475.68	1493.58	6.10	4.91	20.63	0.45
43 Conglomerates(11)	1491.53	—	1490.84	1507.07	1517.74	1260.22	7.14	7.16	16.00	1.63
44 Transport(16)	2883.02	−0.6	2899.96	2936.77	2931.75	2390.58	7.81	4.12	15.40	3.49
45 Electricity(16)	1560.73	−0.9	1574.13	1585.51	1568.15	1203.25	13.89	4.87	9.26	16.54
46 Telephone Networks(4)	1695.04	−1.2	1716.34	1720.89	1741.05	1398.79	7.86	4.04	16.54	1.56
47 Water(13)	3358.62	−0.3	3367.82	3346.93	3309.04	2404.52	13.46	5.28	8.25	11.83
48 Miscellaneous(32)	2454.75	−0.7	2472.20	2519.51	2516.11	1807.69	5.95	4.19	21.19	0.46
49 INDUSTRIAL GROUP(585)	1430.60	−0.5	1438.39	1457.36	1454.11	1269.59	7.27	4.14	17.19	2.57
51 Oil & Gas(18)	2333.16	−1.0	2357.56	2360.27	2347.29	2115.87	5.72	5.56	22.97	0.00
59 "500" SHARE INDEX(803)	1513.16	−0.6	1522.19	1540.33	1536.37	1365.08	7.11	4.29	17.66	2.43
61 FINANCIAL GROUP(89)	930.46	−0.2	932.29	948.03	948.63	711.14	2.94	4.87	72.94	0.15
62 Banks(9)	1279.87	+0.3	1276.42	1299.88	1298.08	866.32	4.71	4.61	32.09	0.00
65 Insurance (Life)(6)	1832.39	−1.7	1863.29	1894.31	1901.37	1391.36	2.76	4.96	63.86	0.00
66 Insurance (Composite)(7)	626.25	−0.4	628.86	643.92	647.21	474.31	‡	4.85	‡	0.00
67 Insurance Brokers(10)	800.84	−0.2	802.75	811.56	817.00	968.47	7.54	6.67	17.81	0.98
68 Merchant Banks(6)	556.07	−0.4	558.58	568.81	572.30	474.43	7.68	4.11	17.11	0.00
69 Property(28)	712.60	−0.8	718.18	722.44	720.24	765.66	7.88	5.94	16.43	0.80
70 Other Financial(23)	334.48	—	334.37	335.57	336.50	245.16	6.56	5.07	20.00	0.19
71 Investment Trusts(107)	1438.16	−0.3	1442.23	1453.51	1449.84	1183.69	2.31	2.93	43.31	3.36
99 FT-A ALL-SHARE(799)	1374.08	−0.5	1381.38	1398.63	1395.67	1209.82	6.38	4.33	20.16	1.96

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2824.9	2824.6	2830.6	2818.2	2822.5	2821.3	2820.6	2811.8	2815.3	2832.4	2810.2
FT-SE Mid 250	3014.7	3013.6	3015.3	3009.8	3008.7	3007.1	3006.6	3002.8	3001.9	3015.7	3001.7
FT-SE-A 350	1395.4	1395.2	1397.7	1392.3	1393.8	1393.2	1392.9	1389.1	1390.4	1398.4	1388.6

Gross dividend yield (ACT at 25%) FT-SE 100:4.34%

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Constrn	1622.0	1620.8	1621.3	1619.2	1621.5	1619.5	1618.5	1615.8	1617.1	1619.3	1625.6	−6.3
Health&H	1135.9	1135.8	1135.5	1137.1	1140.8	1139.8	1138.3	1138.8	1143.8	1146.7	1137.7	+9.0
Water	1393.5	1388.8	1388.4	1388.5	1387.8	1387.9	1387.8	1386.6	1388.1	1388.2	1392.5	−4.3
Banks	1553.4	1557.6	1569.3	1557.4	1563.8	1559.5	1559.5	1551.8	1554.4	1554.6	1550.5	+4.1

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address. The increase in the size of the FT-Actuaries All-Share Index from January 4 1993 means that the FT 500 now contains more stocks. It has been renamed the FT "500". † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 Indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. The FT-SE Actuaries Share Indices are audited by The WM Company.

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or −	1992/93 high	low	Yield Int.	Red.
"Shorts" (Lives up to Five Years)						
Treas 10pc 1993‡‡	100⅛	—	101⅞	99⅛	9.93	[illegible]
12½pc 1993‡‡	102⅞	—	104⅛	100⅞	12.15	[illegible]
Funding 6pc 1993‡‡	100¼xd	—	100¼	95⅞	5.99	[illegible]
Treas 13¼pc 1993‡‡	105⅛	—	107⅝	103⅛	12.94	[illegible]
8½pc 1994	102⅞	—	102⅞	96⅝	8.26	[illegible]
14½pc 1994‡‡	109⅝xd	—	110⅝	104⅞	13.39	[illegible]
Exch 13½pc 1994	109⅛	—	110⅝	103⅞	12.37	[illegible]
Treas 10pc Ln 1994‡‡	105⅝	—	105⅞	98⅛	9.48	[illegible]
Exch 12½pc 1994	109⅝xd	—	110⅛	103⅛	11.38	[illegible]
Treas 9pc 1994‡‡	105⅞	—	105⅞	96⅛	8.53	[illegible]
12pc 1995	111⅛	—	111⅞	102⅞	10.80	[illegible]
Exch 3pc Gas 90-95	96¼	—	96¼	86⅛	3.10	[illegible]
10¼pc 1995	109⅞	—	109⅞	99⅛	9.36	[illegible]
Treas 12¾pc 1995‡‡	118⅛	—	118⅞	106⅞	10.84	[illegible]
14pc 1996	120⅝	—	120⅝	109⅞	11.65	[illegible]
15¼pc 1996‡‡	125⅛	+⅛	125⅝	113⅞	12.18	[illegible]
Exch 13¼pc 1996‡‡	119⅞	+⅛	120⅛	108	11.07	[illegible]
Conversion 10pc 1996	111⅛	+⅛	111⅞	98⅞	9.00	[illegible]
Treas 13¼pc 1997‡‡	122⅛	+⅛	122⅞	109⅞	10.85	[illegible]
Exch 10½pc 1997	113⅛xd	+⅛	113⅞	100⅞	9.29	[illegible]
Treas 8¾pc 1997‡‡	107⅛xd	+⅛	108⅞	94	8.13	[illegible]
Exch 15pc 1997	131⅞	−⅛	132⅛	117⅞	11.41	[illegible]
9¾pc 1998	111½	+⅛	112⅛	97⅞	8.74	[illegible]
Five to Fifteen Years						
Treas 7¼pc 1998	102⅛	+⅛	102⅝	88⅞	7.14	[illegible]
Treas 6¾pc 1995-98‡‡	96⅞	+⅛	100⅞	86⅞	6.76	[illegible]
15½pc '98‡‡	136⅞	+⅛	137⅞	123⅞	11.32	[illegible]
Exch 12pc 1998	121⅞	+⅛	121⅞	107⅞	9.81	[illegible]
Treas 9½pc 1999‡‡	110⅞	+⅛	111⅞	97⅞	8.59	[illegible]
Exch 12¼pc 1999	122½	+⅛	123⅛	109⅞	10.00	[illegible]
Treas 10½pc 1999	115⅝	+⅛	116⅛	101⅞	9.10	[illegible]
Conversion 10¼pc 1999	114⅝	+⅛	115⅞	100⅞	8.94	[illegible]
9pc 2000‡‡	108⅞xd	+⅛	109⅛	94⅞	8.30	[illegible]
Treas 13pc 2000	128⅞	+⅛	128⅞	114⅞	10.14	[illegible]
10pc 2001	112⅞xd	+⅛	113⅞	99⅞	8.86	[illegible]
14pc '98-1	126⅞	+⅛	128⅞	115⅞	10.98	[illegible]
9¾pc 2002	111⅛xd	+⅛	111⅞	96⅞	8.77	[illegible]

BRITISH FUNDS - Cont.

[illegible]

BRITISH FUNDS - Cont.

Index-Linked

[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for May 1992: 139.3 and for December 1992: 139.2.

OTHER FIXED INTEREST

[illegible]

Continued on next page

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or –	1992/93 High	low	Mkt Cap£m	Yld Gr's
Abbott Labs	h	18¼xd	+¼	21⅛	14⅝	16,895	2.2
Allegheny & W	♥	525p	+10	525p	226p	272.8	3.8
Amdahl		588p	—	1150p	438p	639.0	1.2
Amer Cyanamid		37⅛	—	38⅝	26⅜	3,347	3.1
Amer Express		17⅞xd	–⅜	17¾	10⅝	8,335	4.0
Amer T & T		37¼xd	–¼	38	20⅛	48,838	2.4
Ameritech		51⅛	+⅛	51½	32½	22,384	5.0
BankAmerica		38[illegible]xd	–⅜	37¼	19⅝	12,727	2.6
Bankers NY		47⅝xd	–[illegible]	48[illegible]	28⅝	3,942	4.6
Bell Atlantic		37⅛	+⅛	37⅝	23⅛	16,071	4.8
BellSouth		37	+[illegible]	37⅛	25	18,384	5.2
Bethlehem Steel	♥	13¼xd	–⅜	13¼	5¼	1,189	–
Bowater		1627pxd	–55	1682p	905p	598.6	5.1
CPC	h	31⅞xd	–1⅛	34	22⅞	4,827	2.6
Cadiz Land Inc	♥	115p	—	342p	108p	–	–
California Engy		1462p	—	1417p	591p	285.2	–
Chase Manhattan		21⅞xd	–⅝	22¼	9⅞	3,323	3.8
Chrysler		27⅞xd	–1⅛	28½	6¼	8,034	1.5
Citicorp		17[illegible]xd	–¼	18½	6⅛	6,587	–
Colgate-Palm		42⅞xd	–⅜	43⅛	25¼	6,726	2.0
Cont'l Bank		1654p	–37	1681p	495p	1,671	2.5
Dana		33⅝xd	–[illegible]	34[illegible]	14[illegible]	1,542	3.3
Data General		822p	—	1084p	384p	226.8	–
Decora Inds	♥	148p	—	148p	68p	–	–
Dun & Brad		40	–⅞	40⅞	27⅝	7,126	3.9
Eaton		68¼	–[illegible]	57¼	32½	1,882	2.7
Echlin		18xd	–⅛	18⅝	7⅜	1,091	2.7
FPL		25⅝xd	–⅜	25[illegible]	17[illegible]	4,837	6.4
Ford Motor		34⅛	–1⅛	35¼	15	16,857	2.0

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1992/93 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv	♣□	194	-2	200	147	3.2	232.5	16.6
Warrants	□	44	—	46	27	-	-	-
Scot Mortgage	♣†□	192	-1½	196½	135	2.7	220.6	13.0
Scot National Inc	♣K□	94½	—	107	65¾	10.8	-	-
Cap	□	20	-1	42	12½	-	68.9	64.3
Stepped Pf		189¼	—	155½	136	6.2	-	-
Zero Div Pf		208½	—	212	186½	-	-	-
Warrants		4	—	9	3	-	-	-
Scot Value	†a	77	-½	77½	48	3.1	75.7	-1.7
Sec Alliance	♣	1470	-10	1493	1066	3.3	1613.4	8.9
Second Consld	□	100	—	103	86	-	189.5	47.2
Second Market	♣	291	—	291	222	0.7	338.6	13.7
Sec Tst Scot	♣□	82	-½	83½	61	5.3	83.9	2.3
Select Assets		122½	-1½	125	78½	1.3	170.3	28.1
Eq Ind Serl		131	-1	133	106	4.3	-	-
Eq Ind Serll		131	-1	133	106	4.3	-	-
SHIRESCOT	♣H	121	—	123	96	5.8	120.4	0.5
Shires	♣	257	-2	262	188	9.5	238.9	-7.4
11pc Cv Ln '03/04		£131½	—	£131½	£95½	8.4	-	-
Siam Select		128	+1	128	60	0.3	162.6	21.6
Warrants		38	—	33	10	-	-	-
Smaller Cos	□	86	—	88	66	3.4	95.4	-2.3
Warrants		24	—	25	10	-	-	-
Sphere Inc	N□	17½xd	—	20	9½	23.8	30.3	42.2

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

	Notes	Price	+ or -	1992/93 high	low	Mkt Cap£m	Yld Gr's
Feltrim IE	††	3½	—	4⅝	1¾	0.39	-
Glencar Expl IE	††	7	—	16	6	1.29	-
Greenwich Res	□	5½	+¼	11	2	4.24	-
Hemlo Gold C$		£4¾	+⅛	£6⅞	£3½	421.8	2.3
Ivernia West IE	††□	38	—	53	30	19.1	-
Kells Minls IE	††	6	—	42	6	0.14	-
Kenmare	♣□	8	—	8	2¼	7.68	-
Malinga Res.		21½	-1	48	8	2.37	-
Navan Res IE	♣	29	-1½	34	16	3.89	-
5pc Ln Notes		28	-2½	30½	25	5.69	-
Oryx Gold		46⅝	—	103	46¾	-	-
Plateau		3#	—	73	3	1.37	-
RTZ	□	656	-17	688	469	6,579	4.0
Vizcaya	♣□	3	—	3	1	1.61	-

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- Φ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

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AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	167.9	169.6	178.5	-2.30	0.00
AIB Grofund Equity	5	203.2	206.1	218.1	-1.20	3.32
AIB Grofund Euro	5	159.6	160.2	170.4	-1.70	0.54
AIB Grofund Eqy Balanced	3	103.6	105.5	108.8	+2.40	2.15
AIB Grofund Gilt	3	76.01	76.01	78.35	+0.08	5.66
AIB Grofund Japan	5	131.7	133.2	140.2	-0.70	0.00

AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Hse, Corporation St, Coventry 0203 553231

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
General Inc	5	409.8	411.6	437.9	-2.5	2.72
General Acc	5	446.2	448.2	476.9	-2.7	2.72
UK Growth Acc	6	298.9	303.2	322.6	-1.8	3.06
UK Growth Inc	6	214.3	217.3	231.2	-1.3	3.06
Higher Inc Acc	6	533.9	542.0	576.6	-2.2	4.23
Higher Inc Inc	6	329.4	334.3	355.7	-1.4	4.23
Gilts/Fxd Int Acc	5½	171.7	171.7	181.3		6.64
Gilts/Fxd Int Inc	5½	92.51	92.51	97.70	-0.03	6.64
Nth America	6	269.8	275.5	293.1	-4.9	0.00
Far East	6	253.5	253.5	269.7		0.28
Europe	6	214.4	214.4	228.1	-0.5	1.20
Brit Excel	6	61.77	61.77	65.72	-0.38	3.11
Brit Frndmls Acc	6	81.18	81.18	86.37	-0.07	5.26
Brit Frndmls Inc	6	63.72	63.72	67.79	-0.07	5.26
Global Opps	6	68.41	68.41	72.78	-0.67	0.00

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Gilts & Fixed Int	6	128.5	128.5xd	136.3	-0.1	6.97
High Inc Equity	6	144.3	147.3xd	156.6	-1.1	5.43
Worldwide Bond	6	267.1	267.1xd	283.1	-1.4	4.42
American Growth	6	300.7	300.7xd	321.6	-6.7	.45
Asian Pacific	6	206.6	211.0	224.4	+1.1	.85
Assets & Earnings	6	217.8	221.9	236.0	-1.8	2.66

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 - 379 - 0444.

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sharp (Albert E.) & Co (1000)F						
Admin 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries 0277 227300 Dealing 0277 261010						
European	5	108.10	108.80	114.50	-0.30	1.41
Intl Bond & Conv	5	124.40	124.60	131.20	-0.50	5.50
Pooled Pension ‡	7	£150.5	154.5	165.3	+4.1	-
Smaller Cos	5	60.68	62.47	65.76	-0.37	1.99
UK General	5	114.70	116.40	122.50	-0.80	2.79
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071 407 5966						
Income	5	382.53	382.53	406.95	-2.04	5.00
Global Inc	5	57.13	57.13	60.78	-0.39	4.01
Brit Leaders	5	310.88	310.88	330.72	-0.69	3.1
Intl Leaders	5	185.96	185.96	197.83	-1.95	1.67
Fin Hse Bal Grwth Inc ‡	3¼	53.21	54.63	56.76	-0.13	3
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3003						
European Trust	6	52.07	52.25	55.58	-0.19	1.38
Far Eastern Tst	6	56.67	57.52	61.18	-0.06	0.81
Smaller Cos	5	138.5	142.8xd	152.0	-0.7	2.19
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS 071-637 5377						
S & W American ‡	5	283.3	283.9	300.4	+1.60	0.84
S & W Capital	5	114.5	114.5xd	122.6	-0.70	1.82
S & W Cash ‡	0	102.32	102.32	102.32	+0.01	6.23
S & W European	5	114.3	114.4	121.0	-0.10	0.92
S & W Far Eastern	5	117.2	118.5	125.3	+1.00	0.07
S & W Growth	5	122.0	123.4xd	130.5	-1.30	1.43
S & W Income	5	108.6	109.8	116.1	-0.80	5.19
S & W Magnum	5	121.6	121.6	130.3	-0.80	1.78
S & W Smllr Secs	5	295.5	302.1	319.6	-0.90	0.71
S & W Thoroughbred	5	140.2	140.2xd	150.3	-1.00	1.66
Societe Generale Touche Remnant (1200)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-410 4029						
American Grwth	5¼	84.56	84.56	90.43	-2.00	0
Eur Sp Sits Acc	5¼	44.84	44.84	47.73	+0.24	0
Eur Sp Sits Inc	5¼	42.35	42.35	45.08	+0.23	0
Far East Opps Inc	5¼	28.95	28.95	31.19	-0.03	0
Far East Opps Acc	5¼	29.74	29.74	32.04	-0.04	0

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0462						
Chaillenger	2¼	93.04	93.04	95.21	-0.51	0.00
Short Dtd Gilt	1¼	109.2	109.2	110.6	-0.20	4.47
U.S. Govmnt Bond	1¼	$0.7084	0.7084	0.7177	-0.0004	0.00
Gilt Income	4	51.77	51.77	53.87	-0.10	8.00
Gilt Growth	4	64.51	64.51	67.14	-0.03	0.00
City Reserve	0	52.12	52.12xd	52.12	+0.01	6.29
Woolwich Unit Trust Managers Ltd (1700)H						
1 White Oak Square, Swanley BR8 7AG 0705 388046						
Stockmarket Fd F	5	64.53	64.53	68.64	-0.28	2.20

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Baillie Gifford & Co Ltd				
Int'l Exm Feb 3	672.2	694.2	—	1.00
Baring Investment Mngmt Ltd				
155 Bishopsgate, London EC2M 3XY				
071 214 1050 (general enquiries) 071 214 1004 (dealing)				
Charitable Funds				
UK Growth & Income	53.62	55.50	+1.26	4.9
Income Plus	49.58	50.60	+0.44	7.5
James Capel Fund Managers Ltd				
European Exempt	£110.296	111.561xd	-0.281	3.00
Japanese Exempt	£111.557	113.259	+0.003	-
Managed Exempt	£126.762	134.016xd	-0.719	3.23
North American Exempt	£105.647	107.566	-1.437	1.12
Pacific Exempt	£109.008	111.385	+0.017	3.04
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Inv Fund Jan 31	585.00	591.20		

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

Prolific Life & Pensions Ltd

Stramongate, Kendall, Cumbria LA9 4UB 0539 733733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Balanced Gwth Mngd	674.1	717.2	-3.7	-
Adventurous Mngd	167.5	178.2	-1.2	-
Cautious Mngd	128.7	137.0	-0.1	-
Cash Fd	317.3	334.4	...	-
Property Fund	216.7	230.6		-
Equity Fund	789.4	839.8	-5.6	-
Fxd Int Fund	414.4	436.7	-1.3	-
International	351.6	374.1	-1.4	-
High Income	600.6	639.0	-4.9	-
Far East	469.5	499.5	+1.2	-
North American	480.9	511.7	-8.5	-
Special Sits	550.7	585.9	-3.1	-
Technology	477.3	507.8	-12.9	-
Extra Inc Fd	326.8	347.7	+2.5	-
Convertible & Gilt Fd	159.8	170.0	......	-
American Income	193.1	205.5	-1.1	-
Gilt Fund 20	445.1	473.6	-1.1	-
European Fund	125.6	133.7	-0.4	-
Pref & Fixed Int	113.2	120.5	-0.4	-
UK Blue Chip	117.7	124.1	-1.0	-
Recovery Fund	116.4	122.7	-0.5	-
Equity Income Dist	109.3	116.3	-0.7	4.88
Managed Dist	103.4	110.1	-0.5	5.60
High Yield Dist	105.0	110.7	..	8.35
Pension Funds				
Balncd Gth Mngd Pens Acc	797.6	839.6	-3.7	-
Adventurous Mgd Pen Acc	178.1	187.5	-1.4	-
Cautious Mngd Pen Acc	149.1	157.0	-0.3	-
Building Soc Acc	366.1	385.4	..	-
Property Pens Acc	295.4	311.0	..	-
Fix Int Pens Acc	654.7	689.2	-0.3	-
Equity Pens Acc	1035.9	1090.5	-4.1	-
International Pens Acc	329.4	346.8	-1.7	-
High Inc Pens Acc	677.1	712.8	-6.3	-
Tech Pens Acc	338.2	356.1	-9.9	-
N American Pens Acc	371.8	391.4	-7.4	-
Far Eastern Pens Acc	481.0	506.4	+1.8	-

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Bid Price	Offer Price	+ or -	Yield Gross
John Govett Management (IoM) Ltd				
Dlr Geard Curr NAV Feb 5	$14.56		......	–
Paragon Plus Red Feb 1	£9.85		..	–
Paragon Stlg Red Feb 1	£11.33		......	–
SE Asian Wts NAV Feb 4	$9.71		......	–
Govett Mgd Futr Feb 5	£13.54	14.59	...	–
Govett Mgd Futrs Feb 5	$9.45	10.34	...	–
Mkt Hanson Inv Feb 4	$14.84		...	–
Mkt Hanson Inv Feb 4	$7.04		..	–
Dllr Geared Bd Feb 5	$7.29		......	–
IBI Global Funds Limited				
Intl Stlg Gwth	£21.75	22.91	+0.32	–
Intl US$ Gwth	$18.14	19.10	-0.01	–
High Income Gilt	£26.49	27.47	-0.02	–
International Equity	£22.46	23.65	+0.36	–
International Bond	£24.25	25.14	+0.29	–
Managed Currency	£28.06	28.35	+0.07	–
Sterling Currency	£26.79	27.07	+0.06	–
US$ Currency	$37.87	38.26	+0.01	–
Irish £ Currency	I£15.81	15.98	+0.02	–
R & H Fund Managers Ltd				
LFM Sterling Fd	£11.21	11.69	......	–
B F Offshore Inc Fd Ltd	£12.44	12.97	–	–
IMC Offshore Fd	£9.85	10.66	–	–
Nelson Niches W/W $/$	£11.36	11.63	...	–

JERSEY (SIB RECOGNISED)

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey 0534 36633						
AIB Currency Funds Ltd						
Intl Managed Bond	5	I£–	22.5846	22.5817	[illegible]	–
Managed Capital Bd	5	I£–	22.2804	22.3180	[illegible]	–
AIB Preferred Currency Fund Limited						
Stlg Mngd Currency H	5	£–	11.1063		[illegible]	–
Sterling Currency Fd	5	£–	10.6566		[illegible]	–
Ecu Currency	5	Ecu–	11.0749		[illegible]	–
US Dollar Mngd Curr	5	$–	21.6944		[illegible]	–
Barclays International Funds						
PO Box 152, St Helier, Jersey CI 0534 67888						
Australian Eq (Inc)	5¼	£0.999	1.004	1.074	[illegible]	1.4
Global Income (Inc)	5¼	£0.561	0.559	0.598	[illegible]	2.9
Global Resources	5¼	£0.448	0.453	0.485	[illegible]	0.2
Currency Funds						
Stlg Premium Income		£10.14		10.15	...	6.1
Sterling		£–		23.74	-0.01	5.8
US Dollar		$–		32.56		2.0
Deutschemark		DM–		61.35	+0.02	7.4
Yen		Y–		4230		2.0
Managed Multicurrency		£–	15.98	16.55	-0.07	–
Managed Multicurrency		$–	26.08	27.00	...	–
Bond Funds						
Sterling Bond	3½	£–	0.437	0.453	[illegible]	9.0
Capital House Fund Mgrs (CI) Ltd (0900)H						
PO Box 189, Capital Hse, Bath St, St Helier, Jersey						
Tel: 0534 74689 (Dealing) 0534 75639 (Helpline)						
Facsimile 0534 79040 Telex: 4192136						
Capital House International Growth Funds Ltd						
Equities						
UK Equity	5½	£1.481	1.481	1.572	[illegible]	–
North American	5½	$1.753	1.789	1.899	[illegible]	–
Japanese	5½	$1.262	1.275	1.353	[illegible]	–
Pacific Basin	5½	$2.803	2.850	3.025	[illegible]	–
Continental European	5½	$2.307	2.332	2.475	[illegible]	–
Gold	5½	$0.892	0.923	0.979	[illegible]	–
Bonds						
Sterling Bond	5½	£1.872	1.872	1.986	[illegible]	6.49
International Bond	5½	$2.119	2.119	2.247	[illegible]	3.79
US Dollar Bond	5½	$1.641	1.641	1.739	[illegible]	4.13
Currencies						

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Swiss Fr Dep		SFr–	5.300		[illegible]	4.35
DM Deposit Fd		DM–	5.395		[illegible]	7.49
Yen Deposit Fd		Y–	514.1		+0.1	2.56
Aust Dlr Deposit Fd		A$–	1.042		[illegible]	4.23
US Dollar Bond		$–	1.033		....	4.60
Yen Bond		Y–	515.8		+1.3	3.96
US Dollar Global Curr		$–	0.9775		[illegible]	–
Sterling Global Curr		£–	1.116		[illegible]	–
John Govett (Channel Islands) Ltd (1000)F						
6 Minden Place, St Helier, Jersey 0534 38578						
Global Stock Inv Ltd (Fmly Govett Flexifund)						
Global Equity	5½	$8.52	8.52	8.65	+0.03	1.0
Global High Income	5½	$10.57	10.57	10.63	+0.02	11.00
Dollar Cash		$8.95	8.95	9.00	....	3.00
Japanese Smllr Cos	5½	Y723	723	738	-3	0.0
Far East Equity	5½	$12.51	12.51	12.81	+0.18	1.0
US Smaller Cos	5½	$15.61	15.61	15.97	-0.17	0.75
European Equity	5½	DM12.16	12.16	12.30	+0.03	2.0
UK High Income	5	£5.24	5.24	5.28	....	9.50
Initial charge may alter for sales in other jurisdictions						
Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F						
PO Box 63, Bond Street, St. Helier, Jersey 0534 604814						
Stlg Fixed Int	3½	£1.261	1.261d	1.311	...	8.11
Offshore High Yield	3½	£1.508	1.504	1.559	...	0.70
Global Equity Fund	5½	$14.45	14.56	15.57	+0.13	0.00
European Equity	5½	DM17.82	17.82	19.06	-0.01	0.27
UK Growth (CI Fund)	5½	£5.101	5.132	5.489	[illegible]	1.79
Nth American Eqty	5½	$10.94	10.94	11.66	-0.09	0.00
Far Eastern Eqty	5½	$11.41	11.57	12.37	+0.19	0.00
International Mngd	5½	$12.61	12.62	13.50	-0.08	0.00
Intnl. Bond Fund						
Sterling Managed	3½	£11.54	11.54d	12.03	-0.01	8.16
US Dollar Managed	3½	$13.53	13.53d	14.11	+0.04	6.32
International Currency Fund						
Sterling Managed ‡	3½	£32.46	32.46	33.64	-0.05	–
US Dollar Managed ‡	3½	$31.15	31.15	32.28	....	–
Sterling ◆ ‡	0	£28.99	28.99	28.99	....	5.74
US Dollar ◆ ‡	0	$39.84	39.84	39.84	....	2.18
Deutschmark ◆ ‡	0	DM68.31	68.31	68.31	+0.01	7.44
Japanese Yen ◆ ‡	0	Y5124	5124	5124	+1	1.98
Swiss Franc ◆ ‡	0	SFr51.84	51.84	51.84	....	4.35
Irish Punts ◆ ‡	0	I£24.86	24.86	24.86	+0.01	6.56
INVESCO MIM International (Jersey) Ltd						
PO Box 271, St Helier, Jersey 0534 73114						
Jersey Gilt (z)	5½	£0.1967	0.1967xd	0.1967	+0.0001	8.13
Lloyds Bank (CI) U/T Mgrs.						
PO Box 195 St Helier, Jersey 0534 27561						
Lloyds Tst Gilt	2½	£10.150	10.170xd	10.440	-0.03	7.66
Dealing daily						
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26 St Helier, Jersey 0534 606000						
Intl Circuit Portfolio	6	£1.1599	1.1599	1.2299	+0.0005	0.20
Gilt	3	£0.9975	0.9975xd	1.0285	+0.0005	7.78
Prudential Fund Managers (Jersey) Ltd						
PO Box 103, St Helier, Jersey 0534 70009						
Prudential Currency Fd (Formerly Vanbrugh Currency Fd)						
Income (A & B)	5	216.6	216.6	227.5	+0.1	4.60
Growth (C & D)	5	319.5	319.5	335.3	+0.2	0.00
Royal Trust Jsy Fd Mngt Ltd (1400)F						
PO Box 428, St Helier, Jersey 0534 27441						
Govt Secs Fd	4	57.06	57.06	59.41	(z)	8.75
Standard Bank Fund Mgmt (Jersey) Ltd						
PO Box 583 St Helier, Jersey CI 0534 67557						
Intl Bond (Daily)		$15.58	16.50			5.88
Sterling Bd (Daily)		£9.943	10.29		-0.02	8.56
Sterling Cap (Daily)		£41.85	41.88		+0.01	7.19
TSB Trust Funds (CI)						
PO Box 538, St Helier, Jersey 0534 73494						
TSB Offshore Investment Fund Ltd						
Stg Deposit Class	5	101.95	101.95d	105.00	+0.02	7.00
Gilt & Fixed Interest	3	115.53	115.53d	119.82	-0.13	7.73
Blue Chip & Gilt Edged	5	58.52	58.52	62.28	-0.31	5.66
International Bond	5	137.98	137.98	145.94	-0.76	4.86
UK Equity	5	214.21	214.21	232.17	-1.65	1.49
International Equity	5	170.69	170.69	182.75	-1.23	0.38
Far Eastern	5	143.79	143.79	154.45	-0.04	0.00
European	5	114.28	114.28	121.28	+0.56	0.00
Pan American	5	323.46	323.46	343.94	-0.12	0.00
TSB Gilt Fund Ltd						
Quarterly Share	3	105.52	105.52d	109.03	-0.18	8.25
Monthly Share	3	104.13	104.13d	107.58	-0.10	8.37

JERSEY (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
Barclays Intl Funds				
Asian Selection Funds				
China	$9.753	10.266	-0.135	0.0
Hong Kong	$23.003	24.153	+0.061	0.4
Indonesia	$8.960	9.432	+0.030	0.0
Korea	$10.188	10.724	+0.039	0.0
Malaysia	$13.731	14.454	+0.151	0.0
Philippines	$15.990	16.832	+0.044	0.0
Singapore	$10.527	11.081	-0.016	0.0
Thailand	$20.902	22.002	+0.810	0.0
South East Asia	$21.263	22.382	+0.312	0.0
US Dollar Liquidity	$9.539	10.016	..	1.1
Cater Allen Investment Management (CI)				
CA Gilt Income	£5.96	6.23	(z)	16.05
CA Gilt & Futures	£1.066	1.121	(z)	7.14
CA Equity Gwth	£4.27	4.67	(z)	2.36

	Bid Price	Offer Price	+ or -	Yield Gross
Lloyds Bank Trust Co (CI) Mngrs				
Lloydsinvest World Inv Port.	£2.600	2.730	.	1.18
Dealing Weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge (z)	£9.98	10.02	-0.02	9.38
Minerals, Oils Res. Shrs. Fd. Inc.				
Mores Feb 4	$13.47	13.75	...	2.91
Nat. Westminster Jersey Fd. Mgrs. Ltd				
Sterling Income (z)	55.6	58.0	+0.01	7.25
UK Equity Fd (z)	228.4	243.0	-0.03	2.63
*Intl Bond Fd	100.8	104.0	....	6.51
*Sterling Mngd Asset Fd	558.00	588.0		4.60
*Sub. day every Thurs				
NatWest TrustCor Currency Fund (z)				
Dollar Class	$38.2862		+0.0066	–
Sterling Class	£27.1908		+0.0042	–
D-Mark Class	DM84.6100		+0.0178	–
Japanese Yen Class	Y7998.4795		+1.5216	–
Anderson Replica Portfolio Ltd				
Anderson Replica P'folio Ltd £	£11.63	12.26	+0.16	–
Anderson Replica P'folio Ltd $	$10.60	11.01	+0.11	–
Northgate Unit Tst. Mngr. (Jersey) Ltd				
Pacific Fund Jan 14	$35.28	36.52	.....	–
Perpetual UT Mngrs (Jersey) Ltd				
Offshore Intl Gwth Fd	$3.7224	3.9558	.....	–
Offshore Japanese Gwth Fd	$0.9447	1.0040	...	–
Offshore Am Gwth Fd	$6.8142	7.2415	...	–
Offshore Emerging Cos	$4.1423	4.4021	...	–
Offshore European Fd	$1.5941	1.6303	...	–
Offshore Global Bond	$0.9725	1.0131	...	–
Offshore Global Bond Acc	$0.9725	1.0131	...	–
Offshore Far Estrn Fd	$2.4152	2.5666	...	–
Offshore UK Growth Fd	$1.9702	2.0938	...	–
The Portugal Fund Limited				
Lloyds Bank Trust Company (Channel Islands) Ltd				
NAV Feb 5	$4.26		...	–
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd				
Ivory Growth Fund	£15.63	15.87	...	1.43
LFM Defensive Strtgy	£11.49	12.09		–
Royal Trust Intl Fd Mngt Ltd				
Sterling Fxd Int (z)†	99.40	99.40d	...	6.87
International Bond (z)†	$1.123	1.136d		5.29
†Prices on Feb 3. Next dealing Feb 10				
Schroder Mngt Services (Jersey) Ltd				
Schroder Money Funds Ltd				
Sterling	£36.8884		+0.0451	6.43
US $	$48.8946		+0.0196	1.89
D-Mark	DM84.3259		+0.1390	7.56
Swiss franc	SFr78.0408		+0.0468	4.17
Yen	Y5179.55		+2.94	2.59
Scimitar Worldwide Money Fund Ltd				
Sterling	£25.7642		+0.0048	7.36
US $	$37.3324		+0.0026	2.59
D-Mark	DM81.3387		+0.0162	7.61
Swiss Franc	SFr60.2069		+0.0071	5.50
Japanese Yen	Y7703.6601		+0.5782	2.78
Australian $	A$41.6198		+0.0052	4.90
Canadian $	C$34.3896		+0.0050	5.84
Ecu	Ecu16.3338		+0.0037	9.12
US$ Managed	$39.053	40.2615	+0.0051	2.20
Sterling Managed	[illegible]	[illegible]	-0.1053	3.83
Scimitar Worldwide Selection Fd Ltd				
Equity Class Funds				
American	$14.78	15.69	-0.12	–
Asian Smllr Mkts	$16.48	17.50	+0.04	–
European	$10.47	11.11	+0.03	–
Gold	$2.808	2.983	+0.035	–
Japanese	$23.05	24.47	+0.07	–
Pacific Basin	$19.51	20.72	+0.06	–
S'pore Indo Malaysian	$9.442	10.03		–
Utd Kingdom	£10.50	11.15	-0.13	–

	Bid Price	Offer Price	+ or -	Yield Gross
Ch Island & Int	£1.23	1.32d		2.69
Energy Inc	$111.64	118.81	-0.76	
Mercury Bond Feb 3	$29.79	31.37		5.70
Merc Money Mkt Stlg	£44.96			
Mercury International Inv Tst Ltd				
Contl Europe Fd	£78.20	83.73	-0.48	–
Nth America Fd	£57.09	61.12	-1.17	–
Japan Fd	£43.89	46.95	-0.18	–
Pacific Fd	£62.99	67.43	-0.35	–
Reserve Fd	£50.47	53.00d	+0.01	–
Worldinvest (Managers) Jersey Ltd				
Worldinvest Inc Fd Ltd	$248.16	249.41		5.63
Excelle Global Eqty $*	$56.49	56.74		–
Excelle Stlg Global Fixed Inc*	£11.28	11.34		–
Valued weekly. * Mondays. † Wednesdays.				

LUXEMBOURG (SIB RECOGNISED)

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abtrust Fund Mngrs Luxembourg SA (u)						
13 rue Goethe L-1637 Luxembourg 010 352 4046461						
Abtrust Atlas Fund						
Global Cap Portfolio		$–	2.510	2.725	[illegible]	–
United States Portfolio		$–	3.380	3.666	[illegible]	–
United Kingdom Portfolio		£–	1.217	1.321	[illegible]	1.51
Contl Europe Portfolio		DM–	3.910	4.245	[illegible]	–
Europrime Portfolio		£–	1.213	1.317	[illegible]	–
Japan Portfolio		£–	0.632	0.687	[illegible]	–
Pacific Portfolio		$–	3.606	3.916	[illegible]	1.00
Gold Portfolio		$–	3.234	3.510	[illegible]	–
UK Growth of Income		£–	1.354	1.472	[illegible]	0.88
Dollar Portfolio		$–	1.989	1.990	[illegible]	5.01
Jap Smlr Cos P'folio		£–	0.770	0.837	[illegible]	–
Sterling Portfolio		£–	1.116	1.117	[illegible]	6.94
Aetna Intl Umbrella Fund (u)						
47 Blvd Royal, PO Box 275, L-2012 Lux 010 352 20860						
AEtna International Umbrella Fund						
Growth Funds						
American Equity		$–	7.30d		-0.07	0.00
Asian Equity		$–	12.78d		+0.09	0.40
Australian Equity		A$–	5.41d		+0.02	1.90
European Equity		$–	7.13d		+0.03	0.00
Japanese Equity		$–	3.05d		+0.01	0.00
UK Equity		£–	6.89d		-0.08	1.46
Income and Growth Funds						
American Inc & Gwth		$–	6.11d		-0.03	2.08
European Inc & Gwth		$–	5.94d		+0.03	1.70
Pac Basin Inc & Gwth		$–	4.34d		+0.01	0.00
UK Inc & Gwth		£–	6.96d		-0.05	4.08
Income Funds						
Australian $ Bond		A$–	5.37d		+0.01	7.24
Canadian $ Bond		C$–	5.69d		...	6.86
Deutschemark Bond		DM–	4.92d		+0.01	5.59
Mngd European Bd		$–	4.81d		+0.02	5.43
Sterling Bond		£–	5.25d		....	7.62
US Dollar Bond		$–	5.48d		....	4.55
Yen Bond		Y–	506d		..	2.99
Liquid Reserve Fund						
Deutschemark Res		DM–	5.05d		.....	6.81
Sterling Reserve		£–	5.00d		.....	7.41
US Dollar Res		$–	5.07d		.....	2.54
Yen Reserve		Y–	503d		...	2.54
Banque Scandinave a Luxembourg SA						
16 Boulevard Royal, L-2449, Luxembourg						
Skandifonds						
Skandifond Equity Fund						
Equity Int. Acc	5	$–	15.28	16.06	-0.02	3.17
Equity Global	5	$–	1.37	1.45	-0.01	–
Equity Natural Res	5	$–	0.97	1.03	-0.01	–
Equity Japan Acc	5	Y–	89	93	....	–
Equity UK	5	£–	1.36	1.43	-0.01	–
Equity Nordic	5	$–	1.15	1.22	+0.01	–
Equity North America	5	$–	2.00	2.11	-0.02	–
Equity Mediterranean	5	$–	0.80	0.85	-0.01	–
Equity Contl Europe	5	$–	1.36	1.44	....	–
Skandifond Far East						
Far East Global	5	$–	3.01	3.17	+0.02	–
Skandifond Bond Fund						
Bond Int. Acc	1	$–	11.49	11.62	+0.02	6.64
Europa Bond Acc	1	$–	1.48	1.50	+0.01	7.15
Bond DEM Acc	1	DM–	1.19	1.21	....	6.64
Bond USD Acc	1	$–	1.35	1.37	....	5.79
Bond Sweden Acc	1	SKr–	15.12	15.29	+0.02	10.19
Skandifond International Share						
Intl Emerging Markets	5	$–	0.95	1.01	.....	–
Barclays Diversified Portfolio						
14 rue Aldringen L-1118 352 4799 2939						
IPB Deutschmark Reserve		DM–	30.65		–	–
IPB Sterling Reserve		£–	10.16		–	–
IPB Swiss Franc Reserve		SFr–	30.09		–	–
IPB US Dollar Reserve		$–	20.10		–	–
IPB European Bond		Ecu–	16.54		–	–
IPB North American Bond		$–	20.49		–	–
IPB Espana		Pta–	2356		–	–
IPB Europe		Ecu–	16.58		–	–
IPB Japan		$–	19.83		–	–
IPB Pacific Rim		$–	19.31		–	–
IPB United Kingdom		£–	10.88		–	–
IPB United States		$–	21.21		–	–
Barclays Inv Funds (Luxembourg)						
41 Avenue de la Gare L-1611 010 352 404344						
European Equity ‡	5¼	£–	0.911	0.970	[illegible]	0.3
International Bond ‡	3¼	$–	94.27	98.57	[illegible]	5.4

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Cresvale Group (u)						
11 Rue Aldringen, L-1118 Luxembourg 071-357 6400						
Equity Wrnt (Europe) (z)		$–	2.34			–
Equity Wrnt (Japan) (z)		$–	1.14		-0.03	–
Hedge Fund		$–	22.37		...	–
Hedge Fund US$ II		$–	19.91		....	–
Hedge (£)		£–	101.50			–
DB Investment Management SA						
2 Boulevard Konrad Adenauer, Lux 010 352 421011						
Eurorenta		DM–	82.28	84.75	...	–
Dollarrenta		$–	54.70	56.34	...	–
DM Reserve		DM–	147.66	149.14	...	–
Den norske Bank						
11 Rue Aldringen 2960 – Lux 010 352 468191						
DnB I Nordic Bond		NKr–	12468.22		[illegible]	–
DnB I Nordic Equities		NKr–	8128.32		[illegible]	–
Disa Income Fund						
68 Blvd Petrusse, L 23220, Luxembourg (352) 407330						
DISA Income		R–	43.69		...	11.24
Dresdnerbank Asset Mngmt SA (u)						
13 Rue Beaumont, L-1219 Luxembourg						
DH-Lux Rentspezial (inc)		DM–	73.05	75.24		–
DH-Lux Rentspezial (acc)		DM–	80.20	82.61	.....	–
E.T. Investment Management Ltd						
13 Rue Goethe, BP 413, Luxembourg 010 352 4046461						
Establishment Tst Feb 5		$–	1.75	1.841	....	–
Eagle Star – Global Assets Fund (u)						
5 Rue Aldringen L-1118 Luxembourg						
Dealing UK: 0624 661100 Europe: 010 352 471764						
UK Equity		£–	1.427d	1.515	[illegible]	4.00
Nth Am Equity		£–	1.800d	1.913	[illegible]	2.00
Japanese Equity		£–	0.620d	0.658	[illegible]	1.01
Pacific Basin Equity		£–	1.542d	1.639	[illegible]	3.20
European Equity		£–	1.339d	1.423	[illegible]	3.00
Sterling Bond		£–	1.023d	1.087	[illegible]	8.25
US Dollar Bond		£–	1.553d	1.651	[illegible]	6.25
Japanese Yen Bd		£–	1.157d	1.229	....	4.70
Deutschmark Bond		£–	1.248d	1.326	[illegible]	7.00
Stlg Liquid Assets		£–	0.950d	1.010	[illegible]	6.00
US$ Liquid Assets		£–	1.282d	1.362	[illegible]	3.50
Japan Yen Liquid Assets		£–	1.099d	1.168	[illegible]	3.70
D'mark Liquid Assets		£–	1.222d	1.298	[illegible]	8.90
Global Managed		£–	1.701d	1.808	[illegible]	2.50
European Bond		£–	1.747d	1.857	[illegible]	7.40
All funds are denominated in Ecu. Prices quoted are Sterling equivalent						
EquiFund-Wright National Eqty Fd (u) (x)						
14 rue Aldringen, L-1118 Lux 010 352 47992584						
Australian Nat. Equity		A$–	12.17	12.29	+0.10	–
Austrian Nat Equity		Sch–	70.48	71.19	-0.09	–
Belgium/Lux Nat. Eqy		BFr–	459.69	464.31	-4.02	–
French Nat Equity		FFr–	88.84	89.74	-0.12	–
German Nat Equity		DM–	13.82	13.96	+0.02	–
Dutch Nat Equity		Dfl–	19.17	19.37	-0.04	–
Italian Nat Equity		L–	8948.04	9037.97	-46.13	–
Hong Kong Nat Equity		HK$–	90.55	91.46	+0.03	–
Spanish Nat Equity		Pta–	903.46	912.54	-1.8	–
Swiss Nat Equity		SFr–	17.48	17.66	+0.03	–
UK Nat Equity		£–	9.07	9.17	-0.08	–
United States Dllr Res		$–	10.15		...	–
Fidelity Funds (u)						
Kansallis Hse, Place de L'Etoile, L-1021 Lux BP 2174						
UK-0732 777377 Lux-010 352 250404230(1)						
Major Market Funds						
America		$–	1.469		[illegible]	–
Europe		DM–	2.454		[illegible]	–
International		$–	10.007		[illegible]	–
Japan		Y–	116.6		-0.9	0.01
South East Asia		$–	1.596		..	0.78
Country Select Funds						
ASEAN		$–	11.66		+0.03	0.29
Australia		A$–	10.038		+0.12	0.66
France		FFr–	64.73		-0.17	0.16
Germany		DM–	19.81		-0.01	0.91

	Canc Price	Bid Price	Offer Price
FFF Japanese	$–	17.31	18.23
FFF Latin American*	$–	8.99	9.47
FFF Pacific	$–	14.50	15.27
FFF Sterling Bond	£–	1.08	1.14
FFF UK Enterprise	£–	3.28	3.46
FFF US Discovery	$–	25.02	26.34
Fleming Flagship Series II (Daily Dealing)			
£ Class	£–	4.199	
DM Class	DM–	10.370	
US$ Class	$–	10.095	
FFr Class	FFr–	52.004	
*Weekly Dealing on Wednesdays			
Gartmore Indosuez Funds			
39 Allee Scheffer L-2520 Lux			
Equity Portfolios			
North America	$–	2.49	
United Kingdom	£–	1.35	
France	FFr–	10.32	
Germany	DM–	4.52	
Switzerland	SFr–	2.88	
Europe	Ecu–	1.14	
Japan	Y–	197	
Singapore/Malaysia	S$–	7.08	
Pacific	$–	2.83	
Natural Resources	$–	1.99	
Developing Markets	$–	2.98	
International	$–	2.12	
Bond Portfolios			
Dollar Bond	$–	2.39	
Sterling Bond	£–	1.10	
French Franc Bond	FFr–	11.79	
Deutsche Mark Bond	DM–	6.01	
European Bond	Ecu–	1.18	
Global Bond	$–	2.30	
Diverbond	SFr–	2.99	
Reserve Portfolios			
Dollar Reserve	$–	2.101	
Sterling Reserve	£–	1.176	
French Franc Reserve	FFr–	11.70	
Deutsche Mark Reserve	DM–	5.774	
Yen Reserve	Y–	278.4	
Gartmore Luxembourg SA (u)			
39 Allee Scheffer, L-2520 Lux			
Japan Warrant	$–	0.38	0.40
Henderson Management SA (u)			
60 route de Treves, L-2633 Senningerberg			
071-638 5757 or 010-352 462232			
Henderson Horizon Fund			
Japanese Portfolio	$–	9.69	10.26
Japan Smllr Cos P'flio	$–	23.00	24.34
Pacific Portfolio	$–	19.42	20.55
Nth American P'folio	$–	5.85	6.20
European Portfolio	$–	5.78	6.12
UK Portfolio	£–	5.95	6.30
Global Portfolio	$–	9.69	10.26
Fixed Int Portfolio	£–	9.85	10.36
Stlg Liquidity P'folio	£–	1.0758	1.1295
Hill Samuel Inv Services Intl SA (u)			
Marktgasse 63/65, 3001 Berne, Switzerland			
Hill Samuel Global Portfolio			
Equity Sub-Funds			
UK Equity	£–	12.15	
UK Smaller Co's Eqty	£–	13.30	
Nth American Equity	$–	10.41	
US Smaller Co's Eqty	$–	10.34	
Pacific Basin Equity	$–	10.46	
Japanese Equity	Y–	503	
European Equity	DM–	8.76	
Bond Sub-Funds			
Sterling Fixed Int	£–	12.08	
Sterling Fixed Int Dis	£–	10.77	
European Fixed Int	DM–	10.01	
European Fixed Int Dis	DM–	8.92	
International Sub-Funds			
Global Equity	$–	9.19	
Global Bond	$–	11.30	
Global Bond Dis	$–	10.29	
Global Managed	$–	9.01	
Hypo Foreign & Colonial Port Fd Sic			
Exchange Hse, Primrose St EC2A 2NT			
Am Smlr Cos Eq	$–	18.85	
Japanese Eqty Port	Y–	941	
European Eqty	Ecu–	10.54	
Nordic Equity	Ecu–	10.68	
Amer Equity Portfolio	$–	18.60	
Asian Equity Portfolio	$–	15.17	
Medit'r'n Equity	Ecu–	6.07	
INVESCO MIM International Limited			
PO Box 271, St Helier, Jersey			
Asia Super Gwth Fd	$–	14.71	15.49
Income Plus	£–	9.77d	10.30
Maximum Income	£–	1.00	1.05
Ocean Global Strat	$–	14.35d	15.11
Warrant Funds			
PS Nth American Wrns	$–	6.17	6.61
PS North Amer Wrnt £	£–	4.31	4.62
Asia Tiger Warrants	$–	1.49	1.61
Asia Tiger Warrants £	£–	1.04	1.19
European Warrant	$–	1.36	1.46
European Warrant £	£–	0.95	1.02
Nippon Warrant	$–	1.23	1.33
Nippon Warrant £	£–	0.86	0.93
Premier Select Funds			
American Growth	$–	5.47	5.87
American Enterprise	$–	8.15	8.74
Asia Tiger Gwth	$–	6.15	6.60
Dollar Reserve	$–	5.19	5.20
European Growth	$–	3.76	4.04
European Enterprise	$–	4.27	4.58
Global Emrgng Mkts	$–	5.77	6.19
Global Growth	$–	4.32	4.63

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
PRICOA Worldwide Inv Portfolio Sicav (u)						
6, Avenue J P. Pescatore, L-2324 Lux (352) 475581						
Pacific Growth Series			$11.22		...	–
S-T Glob Inc Series			$9.52			–
US Growth Series			$11.78			–
Regent Global Fund (u)						
14 Rue Leon Thyes L-2636 010 352 4204971						
Intl Growth Fd			$1.6715	1.7719	[illegible]	0.00
UK Gth Fnd			$1.4076	1.4921	[illegible]	0.00
American Gth Fnd			$5.2171	5.5304	[illegible]	0.00
European Gth Fnd			$2.7839	2.9489	[illegible]	0.00
Japanese Gth Fnd			$2.2645	2.4005	[illegible]	0.00
Pacific Basin Gth Fnd			$2.3505	2.4916	[illegible]	0.00
Reserve Fund			$2.1753	2.3059	–	0.00
Sanpaolo Group (Luxembourg)						
c/o 9 St Pauls Churchyard, London, EC4 071-489 8825						
Sanpaolo ECU Fund						
Bonds		Ecu–	136.986	143.073	.....	–
Mixed		Ecu–	128.118	133.953	...	–
Shares		Ecu–	114.464	117.988	.....	–
France Shares		FFr–	531.626	547.472	–	–
France Bonds		FFr–	885.814	911.564	–	–
Sanpaolo Italy Fund						
Bonds		Ecu–	126.518	130.305	..	–
Mixed		Ecu–	102.262	106.330	..	–
Shares		Ecu–	88.317	90.967	..	–
Prices fixed on Tuesday of each week						
Schroder International Selection Fd (u)						
14 Rue Aldringen L-1118 Lux 010 352 4799 2456						
Trafalgar Feb 9		$–	33.82	35.52	-0.03	–
Euro Smllr Cos Feb 9		Ecu–	4.24	4.46	+0.03	–
Japan Smllr Cos Feb 9		$–	4.25	4.47		–
US Smllr Cos Feb 9		$–	10.17	10.68	+0.01	–
Global Bond Feb 9		Ecu–	6.28	6.60	+0.03	–
Global Equity Feb 9		Ecu–	5.17	5.43	+0.01	–
Sun Life Global Management Ltd (u)						
PO Box 22, Castletown, IoM 0624 824131						
Global Portfolio						
Global Bond		$–	1.7971	1.9118	[illegible]	3.53
Global Masters		$–	2.2252	2.3779	[illegible]	–
Global Recovery		$–	1.8426	1.9756	[illegible]	–
Haven		£–	0.9484	0.9983	[illegible]	7.00
DM Bond		DM–	38.0864	40.1814	[illegible]	–
American Growth		$–	2.4799	2.6527	[illegible]	–
Common Mkt Gwth		Ecu–	1.6075	1.7267	[illegible]	–
Ecological		DM–	37.5614	40.2080	[illegible]	–
Far East Gth		Y–	153.80	166.00	-2.70	–
Japan Gth		Y–	148.70	160.10	+0.30	–
UK Growth		£–	1.2808	1.2957	[illegible]	–
Templeton Global Strategy SICAV						
3 Boulevard Royal, L-2449 Lux 010 352 466667						
Developing Gwth Stock		$–	9.16			–
European		SFr–	8.56		-0.09	–
Far East		$–	9.76		...	–
Global Growth		$–	9.64		-0.02	–
American		$–	13.54		-0.08	–
Global Income		$–	11.58		..	–
US Government		$–	10.30			–
Deutschemark Global Gwth		DM–	10.39		-0.09	–
Deutschemark Global Bd		DM–	10.85		-0.02	–
Emerging Markets		$–	10.88			–
Smaller Companies Fd		$–	9.47			–
Emerg Mkts Fixed Inc		$–	11.23			–
Haven		SFr–	11.01			–
Indonesia		Rp–	9010.30			–
Touche Remnant (Guernsey) Ltd (u)						
Bermuda Hse, St Peter Port, Guernsey 0481 726268						
TR Worldwide Strategy Fund						
Nth American	5	£1.6671	1.6671	1.7830	[illegible]	–
European	5	£1.5871	1.5871	1.6974	[illegible]	–
Far East	5	£1.5022	1.5022	1.6066	[illegible]	–
Japan	5	£0.7028	0.7028	0.7557	[illegible]	–
UK Blue Chip	5	£1.5291	1.5291	1.6354	[illegible]	–
UK Special Opps	5	£1.4899	1.4899	1.5935	[illegible]	–

	Bid Price	Offer Price	+ or -	Yield Gross
Fidelity Investment (CI) Ltd				
Blncd Port-Hedged	$12.90	13.55	+0.30	0.77
Blncd Port-Unhedged	$11.50	12.08		0.86
Discovery	$19.68	20.66	-0.20	0.29
Far East	$53.61	56.29	+0.85	0.13
Frontier	$36.25	38.06	-0.31	0.27
Global Industries	$16.75	17.59	-0.12	–
Global Selection	$13.64	14.32	+0.16	–
International	$15.49	16.26	-0.04	0.32
Orient	$85.43	89.70	+1.46	–
Special Growth	$26.72	28.06	+0.33	0.18
World	$91.54	96.12	-0.35	0.26
The First Korea Smaller Companies Fund				
NAV Jan 31	$10.46		+0.78	–
Five Arrows Asia Pacific Fund				
Japan Recovery	$10.12		..	–
Asian Opportunities	$10.47		..	–
Five Arrows Intl Bond Fund (u)				
Rothschild Asset Management (CI)				
NAV per share	$13.22		+0.08	–
Fleming Group				
Fleming Fund Management (Lux)				
Japan Warrant NAV	$1.22			–
European Wrrt NAV	$5.07		-0.02	–
FF Portfolio	$11.76	12.38	-0.07	–
Gamax Funds				
Maxi-Fonds International	DM11.45		(u)	–
Gartmore Luxembourg S.A.				
Worldwide Growth	$7.15	7.51	-0.03	–
Phoenix Fd	$14.02			–
H.C.M. HYPO Capital Mgt Luxembourg SA				
H C M. Lux Interbond	DM64.39	66.32		–
H C M DM-Rent.	DM70.81	72.58		–
H C M DM-Kurz	DM1096.66	1102.14		–
H.C.M. DM-Cash Plus	DM1043.83	1049.05		–
H C M Eco Tech	DM117.97	123.87	...	–
H C M New Europe	DM83.56	87.74		–
H C M Umweltfonds	DM103.58	108.76		–
H C M Euro-Cash	Ecu564.65	567.42	...	–
H.C.M Dollar-Cash	$511.25	513.81	..	–
H C.M. New Horizon	DM98.29	103.19	..	–
H.C.M. Euro-Bond	Ecu111.68	115.03	..	–
H.C M Dollar-Bond	$105.97	109.15	..	–
H.C.M DM-Garantie	DM106.37	107.43		–
H C M DM-Nippon	DM102.26	107.37		–
H.C.M Lux Garant 99	DM104.32	106.13	.....	–
H.C.M. America	DM102.51	107.64	..	–
International Bond Trust				
CCBC A NAV	$11.91		-0.01	–
International Speciality Fund (u)				
Intl Speciality	$8.94			–
INVESCO MIM International Limited				
Asia Powerful	$12.22	12.87	+0.08	–
Nippon Wrt & Income (u)	$5.87	6.20	-0.01	–
Taiwan Growth	$4.35	4.62	...	–
InverSud Investment Fund SICAV				
NAV Feb 8	$1013.73		+0.36	–
Investissements Atlantiques SICAV				
NAV Feb 1	$26.07	26.33	..	0.4
Latin American Mngmt Group Ltd				
Colombian Inv Co SICAV	$9.29		...	–
Laurvest Intl Fds-Global P'folio FCP (u)				
NAV Nov 11	$8.15		...	–
Lloyds Bank Luxembourg (u)				
Lloyds International Liquidity				
Pound Sterling £	£151.35		.	7.42
Deutsche Mark DM	DM132.86		.	7.99
US Dollar $	$123.96		...	2.64
Japanese Yen Y	Y12236		...	2.71
Swiss Franc SFr	SFr121.91		...	6.06

	Bid Price	Offer Price	+ or -	Yield Gross
Asian Convertibles & Income Fd (Cayman)				
NAV Feb 4	$10.91			–
Austro-Hungary Fund Ltd				
Lloyds Bank Fund Managers (Guernsey) Ltd				
NAV Feb 4	$5.70			–
BEA Associates				
Sth America NAV Feb 4	$2.41		...	–
Mexico Liqd Assets Feb 8	$12.4814			–
Argentine Debt Fd Feb 9	$12.16		...	–
BEA/Vestor Latin Am Dbt	$11.81			–
Brazilian Equities Jan 29	$88.50		....	–
Julius Baer Bank & Trust Co Ltd				
Liquibaer	$2187.00	2188.00	.....	–
Bque Fr Serv & Cr/Europ Inv Mgt Ltd				
Partner Emerging Markets Umbrella Fund				
Latin Am Class A Dec 31	$9.27		+0.61	–
Latin Am Class B Dec 31	$9.27		+0.61	–
Asia Class A Dec 31	$10.19		+0.08	–
Asia Class B Dec 31	$10.19		+0.08	–
Global Class A Dec 31	$9.70		+0.27	–
Global Class B Dec 31	$9.70		+0.27	–
Baring International Group				
Puma Fd NAV Feb 5	$20.93m		.	–
Chrystalis (u) Jan 29	$7.12d			–
Chrystalis (u) Feb 5	$7.20d			–
The Batavia Fund Ltd				
NAV Feb 5	$8.66		..	–
Bermuda Intl Invmnt Mgmnt Ltd				
Anchor Intl (z)	$18.39	18.40	–	1.23
Bda Intl Currency Feb 9	$19.69	19.89		–
Bermuda Int'l Bond Funds				
Intl (US Dollar) Cap	$39.95	40.36		–
Intl (US Dollar) Inc	$10.37	10.49		–
Intl (ECU) Cap	Ecu12.55	12.69	..	–
Intl (ECU) Inc	Ecu11.19	11.31	..	–
Intl (Sterling) Cap	£13.70	13.85	..	–
Intl (Sterling) Inc	£11.91	12.04		–
US Dollar Cap	11.63	11.75	..	–
US Dollar Inc	$10.36	10.47		–
Bermuda Intl Equity Funds				
International (USD)	$16.29	16.62		–
International (Sterling)	£10.77	10.99		–
International (ECU)	Ecu10.47	10.69		–
North American	$12.63	12.89	..	–
Japanese	$7.50	7.66		–
European	$10.13	10.34		–
Pacific Rim	$11.47	11.71		–
Bordier Funds Ltd				
Korea Fd NAV Feb 5	$48.80			–
The Brazilian Inv Fund				
NAV	$46.85			–
Bridge Management Ltd				
Nippon Fd	$71.28	74.43	+1.29	–
Buchanan Fund Ltd				
Global £* Feb 5	£11.06		..	–
Global US$* Feb 5	$10.75			–
European & Atlantic* Feb 5	$10.75			–
Pacific* Feb 5	$10.70		..	–
Emerging Markets* Feb 5	$12.75			–
* Estimated Weekly Net Asset Value				
Butterfield Management Co Ltd				
Buttress Asia	$11.66	12.56		–
Buttress Capital	$16.02		.	–
Buttress Cap Apor Bd	14.38			–
Buttress Equity	$10.46			–
Buttress Futures	$9.63			–
Buttress US$ Bond	$10.24			–
Buttress Intl Income	10.52			–
Buttress Money Mkt	$13.2958		.	2.744
CA Securities Investment Fund Mngmt Ltd				
Hung Govt Debt Feb 1	HUF10376			–

	Bid Price	Offer Price	+ or -	Yield Gross
Global Asset Management – Contd.				
GAM Tyche	$317.02			–
GAM U S	$218.68		-1.31	–
GAM us Investments	$667.51			–
GAM Value	$116.45			–
GAM Whitethorn	$183.63			–
GAM Worldwide	$374.43			–
GSAM Composite	$280.28			–
GAM Bond $ Ord	$139.36		+0.42	–
GAM Bond $ Special	$165.23		+0.85	–
GAM Bond SwFr	SFr95.11		+0.70	–
GAM Bond Yen	Y13827		+97	–
GAM Bond DM	DM110.17		+0.52	–
GAM Bond £	£144.57		+0.09	–
GAM Stlg Special Bond	£120.70		-0.29	–
Odey European Gth Inc	DM100.54			–
Odey European Gth Acc	DM100.54			–
GAM Total Bond DM Inc	DM100.39		..	–
GAM Total Bond DM Acc	DM100.39		..	–
Swiss Registered Funds				
GAM (CH) Mondial	SFr1376.41			–
GAM (CH) Pacific	SFr2107.38		..	–
GAM (CH) America	SFr1799.39			–
GAM (CH) Europe	SFr85.04			–
SEC Registered Funds				
GAM Global Fd	$104.68			–
GAM International Fd	$135.61			–
GAM Nth America Fd	$127.65			–
GAM Pacific Basin Fd	$131.26			–
GAM Europe Fd	$73.46			–
Global Government Plus Fund				
c/o Prudential-Bache Secs (UK) Inc				
NAV Jan 29 US$7.51 $9.54				
Goldman Sachs				
GS Global Currency	$1146.38			–
GS Global Equity	$10.38			–
Granville Management Limited				
Granville Inv Tst	£1.05	1.10d		[illegible]
Dealing has been Suspended				
Green Way Guaranteed Ltd				
NAV	Ecu1086.90			–
Group One Limited				
Merrill Lynch Intl & Co c/o MLE				
US S&P 500 Index Ser 1	$374.32	–		–
Shearson Lehman Hutton Securities				
Utility Value Trust 3	$1363.15	–	+0.98	5.91
Utility Value Trust 6	$1033.20	–	-0.77	5.73
Group One International Tst				
Merrill Lynch				
Shearson Lehman Hutton				
GNMA UCITS Series 1	$810.49	845.95	-1.35	8.26
GNMA UCITS Series 2	$1020.66	1063.28	-1.97	7.26
First German Bond Series	$614.73	633.86	+2.10	5.84
First German Bond Series	DM1015.77	1047.38	+0.45	5.84
Hamon Investment Partners Ltd				
Selected Asian P'folio	$12.44	12.45		–
Haussmann Hldgs NV Curacao				
Haussman Jan 31	$554.28	568.40		–
Hill Samuel Investment Services Intl (z)				
Bank von Ernst & Cie AG				
Crossbow (Far East)	SFr14.68	15.61	-0.03	–
CSF (Int Man)	SFr44.77	47.63	-0.45	–
ITF Fd (Technology)	$15.48	16.39	-0.13	–
O'seas Fd (N Amer)	$55.95	58.89	-0.40	–
The India Magnum Fund NV				
NAV Jan 15	$36.62		.	–
Indosuez Asia Invest Services Ltd				
Tasman Fd	$4.495	4.735	+0.04	–
Japan Fd	$11.700	12.320m	+0.105	–
N American Tst	$39.290	41.365	-0.33	0.14
Pacific Tst	[illegible]	[illegible]	-0.07	–

	Bid Price	Offer Price	+ or -	Yield Gross
Orbitex Bahamas Ltd				
Orbitex Nat Res Fd	C$11.6476	11.7454		–
Orbitex Growth Fund	$7.7909	8.5700		–
Orbitex Health & Environmental	$5.8904	6.4794		–
ORIENT Growth Fd				
NAV	$9.52		+0.03	–
PFC Internatl Portfolio Fd Mngt Ltd				
Specialist Growth Fd	$2.69		+0.09	–
Balanced Growth Fd	$2.36		+0.03	–
Sterling Income Fd	£1.61		+0.03	–
PFC-LCC & B	$12.62			–
PFC LCC & B Stlg Class	£10.53			–
PFC Cap Global P'folio	$12.61		+0.11	–
PFC Dynamic Mkts P'folio	$10.35			–
PRS International				
PRS Divid Return	$8.77		...	–
PRS Managed Futures	$13.28			–
PRS Hedged Equities	$10.26			–
PRS Fixed Rate	$12.99			–
PRS Opportunity	$10.10			–
PRS Multicurrency Fxd Rate	$11.50			–
PRS Multimanager	$9.69			–
PRS Global Resources	$10.83			–
American PRS Diversified	$10.31			–
PRS Global Mngmt	$10.24			–
PRS European Mkts B	$9.16			–
PRS European Mkts D	$9.24			–
PRS Ingenuity	$10.17		.	–
Pacific Growth Fund				
NAV	$15.34		-0.08	–
Pakistan Fund				
NAV	$5.41			–
Pequot International Fund Inc				
NAV Feb 9	$162.33			–
Pierson Heldring & Pierson				
Tokyo Pac Hldgs NV	$173.55			–
Leveraged Cap Hldgs NV	$558.25			–
Asia Pac Gth Fd NV	$26.35			–
Asian Selection	Dfl68.74			–
DP Am Gth Fd NV	$38.38			–
Europe Gth Fd NV	Dfl45.59			–
Japan Diversified Fd	$35.27		.	–
Environment Growth	Dfl45.59			–
EMS Offshore Fd	200.42			–
Portuguese Investment Fund Ltd				
NAV Feb 4	$8.3973			–
Putnam International Advisers Ltd				
Emrg Hlth Sci	$36.12		-0.42	–
Emrg. Info Sci	$31.58			–
High Inc GNMA (z)	$9.50		-0.02	–
International Fund	$12.85		-0.13	–
Global Hi Gth Fund	$14.87		-0.15	–
Global Govt Inc Tst	$14.71			–
Quantum Group				
Quantum Fund	$23295	24023	-47	–
Emerging Growth Fd	$195.90	200.97	-0.5	–
Quasar Intl Fd	$215.69	221.18	-0.2	–
Quota Fund	$166.30	170.60	-0.7	–
Real Estate Strategies Ltd				
IRES International	C$–	1203.76		–
Regent Fund Management Ltd				
Undervalued Assets Ser 1	$7.50			–
Leveraged Futures	$92.18			–
Pearl River Delta	$6.30			–
Pacific Arbitrage Co Ltd	$5.91			–
R L Country Warrant	$100.00			–
Rosenwald, Rodik & Co				
Korea Non-Life Invest NAV	$100.92			–
Rothschild Asset Management (CI)				

	Bid Price	Offer Price	+ or -	Yield Gross
Pacific Inc Port I Feb 10	[illegible]		+13.52	–
Pacific Inc Port II Feb 10	$1042.61		+24.19	–
Capel-Cure Myers Intnl Fd Sicav (u)				
Sterling Bond	£10.87	11.22	+0.09	–
Sterling Growth	£13.22	13.94	-0.11	–
US Dollar Bond	$10.32	10.86	+0.05	–
US Dollar Growth	$11.52	12.17	-0.07	–
Citicorp Investment Mgmt (Luxembourg) SA				
Super Asia Infrastructure	$11.19		+0.03	–
Clemente Korea Emerging Growth Fund				
NAV Jan 31	$11.48		...	–
Credit Commercial de France				
Euro Smlr Cos Class A	Ecu11.40		...	–
Euro Smlr Cos Class B	Ecu11.40		...	–
Euro Prestige Cls A (u)	Ecu8.38		.....	–
Euro Prestige Cls B (u)	Ecu20.55		.....	–
Credit Lyonnais Rouse (Bermuda) Ltd				
CLR SELECT				
Diversfd US$ Trade	$9.52		..	–
Diversfd DM Trade	DM19.69		.....	–
Diversfd FFr Trade	FFr99.61		..	–
Diversfd A$ Trade	A$9.55		–	–
Diversfd US$ Gntd May 99	$10.00		–	–
Diversfd A$ Gntd Jan 2000	A$9.78		–	–
Financial US$ Trade	$9.29		–	–
Financial DM Trade	DM18.97		–	–
Currency US$ Trade	$9.39		–	–
Currency DM Trade	DM19.29		–	–
Credit Suisse				
CS Money Mkt Fd US$	$1731.56	1731.57	....	–
CS Money Mkt Fd DM	DM1468.80	1468.81	...	–
CS Money Mkt Fd £	£2196.47	2196.50	..	–
CS Money Mkt Fd Yen	Y140928	140929	...	–
CS Money Mkt Fd Ecu	Ecu1265.76	1265.77	...	–
CS Money Mkt Fd C$	C$1229.59	1229.60	....	–
CS Money Mkt Fd SFr	SFr5514.14	5514.15	....	–
CS Money Mkt Fd Gldr	Dfl1137.40	1137.41	....	–
CS Money Mkt Fd Lire	L1097882	1097883	.....	–
CS Money Mkt Fd FFr	FFr5638.21	5638.22	.....	–
CS Money Mkt Fd Ptas	Pta109916	109917	.....	–
CS Capital SFr 2000	SFr–	1458.00	...	–
CS Capital DM 2000	DM–	1328.00	.....	–
CS Capital DM 1997	DM–	1591.00	...	–
CS Prime Bond DM A	DM101.76	101.79	.....	–
CS Prime Bond DM B	DM130.80	132.12	.....	–
CS Short-Tm Bd $ A	$103.24	103.25	.....	–
CS Short-Tm Bd $ B	$133.74	133.75	.....	–
CS Short-Tm Bd DM A	DM99.55	99.56	.....	–
CS Short-Tm Bd DM B	DM142.41	142.42	.....	–
CS Ecu Bd A	Ecu100.20	101.21	.....	–
CS Ecu Bd B	Ecu159.40	161.00	.....	–
CS Gulden Bd A	Dfl103.24	103.25	.....	–
CS Gulden Bd B	Dfl142.83	143.26	(z)	–
CS Gold Valor	$86.21	87.88	.....	–
CS Euro Blue Chip A DM	DM218.13	222.50	.....	–
CS Euro Blue Chip B DM	DM226.06	230.57	.....	–
CS Europa Bd A/B DM	DM231.71	234.04	.....	–
CS Europa Bd A/B SFr	SFr307.71	310.80	.....	–
CS Tiger	$784.01	814.61	.....	–
CS Gold Mines A/B $	$148.57	151.55	.....	–
CS H'pano Iberia A Pts	Pta21782	22218	.....	–
CS Hispano Iberia B Pts	Pta22531	22779	.....	–
CS Fixed Int SFr 7pc 1/96	98.01		–	–
CS Fixed Int DM 8pc 1/96	104.65		–	–
CS Fixed Int ECU 8¾pc 1/96	103.37		–	–
CS Germany Fd B DM	DM223.79	228.28	...	–
CS N American A/B US$	$229.50	234.10	...	–
CS UK B £Stg	£106.67	108.81	...	–
CS France A/B FF	FFr964.96	984.27	...	–
CS Euroreal	DM187.23	196.30	...	–
CS FFr Bond A/B	FFr1031.96	1042.27	...	–
CS Italy Fund A/B	L208873	212235	...	–
CS Netherlands A/B	Dfl382.42	388.47	...	–
Daiwa Japan Gen Fund				
Daiwa Japan Gen	$7.75	7.26	+0.05	–
Daiwa Japan Small Equity Fd (u)				
Daiwa Japan Small Co	$8.46		+0.04	–
Dean Witter World Wide Invest. Tst SA				
NAV	$25.03		–	–
The Dragon Fund Sicav				
NAV Feb 9	$119.56		.	–
Espirito Santo Investment Mgmnt (SICAV)				
Southern European Fd	$6.60		-0.27	–
ECU Bond	Ecu108.81		-0.03	–
Eureco Management S.A.				
Eureco Fd NAV Feb 4	Ecu25.66		.	–
Europe Plus Investissement (SICAV) (u)				
NAV Oct 30	Ecu168.48		.....	–
Europe Value Fund (u)				
NAV	$9.79		-0.06	–
EurOptec (u)				
European Protection	Ecu96.03	101.63	.....	–
Fidelity Intl Inv Mngt (Luxembourg) SA				
Conv Sec Portfolio	$7.84	8.23	-0.04	1.89
New Europe Fd	$9.34	9.81	-0.06	0.53

	Bid Price	Offer Price	+ or -	Yield Gross
Sarasin Investment SICAV (u)				
Bondsar	SFr195.10		...	–
Target International Ltd				
Intl Growth Fd	$18.24		-0.02	–
Templeton Worldwide Investments				
Growth Portfolio				
Class A-1 $	$9.71		...	–
Class A-2 $	$12.26		...	–
Class A-3 $	$10.81		–	–
Class B-1 $	$9.37		–	–
Class B-2 $	$11.92		..	–
Income Portfolio				
Class A $	$10.59		...	–
Class B $	$10.41			–
Transworld Bond Trust				
NAV	$12.35		+0.08	–
US Pacific Stock Fund (u)				
NAV	$16.43		...	–
Unibank SA, Frontrunner I (u)				
European Equities	Ecu88.31		.....	–
Global Bonds	DKr126.83		.....	–
Global Bonds	DM119.23		.....	–
Sterling Fund	£146.67		.....	–
Scandinavian Bond	DM121.35		.....	–
Danish Bonds	DKr123.96		.....	–
Scandinavian Equities	Ecu113.49		.....	–
Unico Financial Services SA Lux				
DG Bank London Branch				
Unico Invest. Fund	DM66.85	68.90	(z)	3.00
Unico Equity Fund (u)	DM58.54	61.47	(z)	5.00
[illegible]	DM96.00	97.00	...	1.00
Wardley NAPT (Luxembourg) SA				
Nikko Asia Pacific Tst NAV	$10.77		+0.09	–
"WINTERTHUR" Fund Mngmt Co (Lux) SA				
WIN Global Intl Bond	Ecu124.82		(u)	–
WIN Global Intl Equity	Ecu105.00		(u)	–
WIN Global Intl Reserve	SFr224.35		(u)	–
World Bond Fund-SICAV (u)				
World Bond Fund	$27.44	28.81	+0.07	0.69
Inv Ad Warburg Asset Mngt London				
World Trust Fund				
Shares NAV	$10.08		.....	–
Yamaichi Advanced Technology Fund				
Advanced Tech	$16.83		.....	–
Yamaichi 1992 OMNI Fund SICAV (u)				
NAV	$8.93	8.98	..	–

SWITZERLAND (SIB RECOGNISED)

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
B.I.A. Bond Investments AG						
8 Baarerstrasse CH6301 Zug, Switzerland 217180						
Barer Sf, Series A		SFr–	852.0	907.0	....	–
Barer Sf, Series B		SFr–	852.0	907.0	..	–

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or -	Yield Gross
ATSP Management Ltd				
Philippines Long Term Equity Fund				
NAV Dec 31	$24.47		....	–
Abtrust Fund Mngrs (Guernsey) Ltd				
The New Asia Fund Ltd				
NAV US$ (diluted)	$–		....	–
NAV US$ (undiluted) Feb 1	$8.33		....	–
Adig Investment				
Adirenta	DM20.40	21.01	.....	–
Adiverba	DM123.38	129.76	.....	–
Fondak	DM60.20	63.21	.....	–
Fondis	DM50.24	52.75	.....	–
Aetna Malaysian Growth Fd (Cayman) Ltd				
NAV Feb 8	$10.1805		.....	–
Alliance Capital				
International	$13.98	14.79	+0.01	–
International Class B	$13.78	13.78	+0.01	–
Quasar	$21.66	22.92	-0.20	–
Quasar Class B	$21.27	21.27	-0.20	–
Global Small Cap	$9.94	10.52	-0.08	–
Global Small Cap Class B	$9.77	9.77	-0.08	–
Canadian Fd	$4.83	5.11	-0.01	–
[illegible]	$10.28		...	–

	Bid Price	Offer Price	+ or -	Yield Gross
FFM / Swiss Financial Services				
Multiple Advisory Ltd	$1800.00		.....	–
Falcon Fund International Inc				
Falcon Fd NAV Dec 31	$174.6859		–	–
Fidelity Investments				
Japan OTC Regional Mkts NAV	$6.47		+0.12	–
Latin Am Capital Ltd Feb 9	$10.36		.....	–
Am Vals IV	$120329		-1539	–
American Assets	$184.22	193.43	-1.68	0.55
Pacific	$271.05	284.60	+2.82	0.05
First Mexico Income Fund				
First Mexico Inc Feb 3	$22.16		....	–
Five Arrows Chile Fund Ltd				
NAV Feb 2	$23.49		–	–
Formosa Fund				
NAV Feb 6 NT$1604.47 IDR value US$6235.00				
Formosa Growth Fund Limited				
NAV	$8.75			–
Frankfurt Trust Investment-GmbH				
FTinterzins	DM42.30	43.47	..	–
Frankft. Effekt. Fd	DM151.00	158.55	..	–
The French Prestige Fund				
NAV Feb 5	$21.60		....	–
Equivalent	FFr132.90		.	–
GT Chile Growth Fund Ltd				
NAV Feb 2	$26.73		....	–
GT Management Plc				
GT Applied Science	$16.22			–
GT Asia Sterling (z)	£16.92		+0.15	–
GT Berry Jap Sl (z)	£12.39		+0.12	0.01
GT Biotech Hlth Fd (z)	$23.14			–
GT Deutschland Fd (z)	$10.26		+0.04	–
GT Dollar Fd (z)	$30.64		-0.11	–
GT Europe Fund (z)	$35.53		-0.42	0.24
GT Euro Small Cos (z)	$28.11		+0.10	–
GT Global Small Cos (z)	$19.01		+0.15	–
GT Investment Fd (z)	$16.72		-0.16	0.24
GT Korea Fd (z)	$3.44		....	–
GT Newly Ind Co Fd (z)	$35.54		....	1.30
GT Shenzhen & China	$9.90		.....	–
GT Taiwan Fd (z)	$6.66		.....	–
GT Technology Fd (z)	$52.90		-1.35	–
GT US Small Cos (z)	$22.43		-0.16	–
Gaia Currency Funds				
Gaia Hedge II	$225.33	227.56	..	–
Gaia Hedge III	$37.68	38.18	.....	–
Gaia Swiss Franc	SFr85.16	86.08	..	–
Gaia Gtd Crncy I	$83.63		–	–
Gaia Gtd Crncy II	$87.75		–	–
Garzarelli Sector Analysis Portfolio NV				
NAV	$13.60		..	–
Genesis Fund Managers Ltd				
Chile Fd NAV Jan 29	$–	28.14	.....	–
Emerging Mkts Jan 29	$–	20.36		–
Malaysia Wala Jan 29	$–	10.44		–
Condor Fd Jan 29	$–	14.54	.....	–
Gertrust SA				
Samurai Portfolio	SFr246.40	268.70	...	–
Global Asset Management				
Offshore Funds				
GAMerica	$307.40		.	–
GAM Arbitrage	$326.76		+1.50	–
GAM ASEAN	$273.27		....	–
GAM Australia	$130.84		....	–
GAM Boston	$342.67		....	–
GAM Cargill Minnetonka	$100.33		....	–
GAM Combined Fd Inc	DM105.47		....	–
GAM European	$75.40		.....	–
GAM France	FFr1644.33		–	–
GAM Franc-val SFr	SFr164.50			–
GAM GAMCO	$180.26		+0.42	–
GAM High Yield	$139.27		+0.67	–
GAM Hong Kong	$384.60		....	–
GAM Japan	$581.46			–
GAM Money Mkts US$	$100.30		+0.01	–
Do Sterling	£100.68		+0.01	–
Do Swiss Fr	SFr100.47		+0.01	–
Do Deutschmark	DM100.93		+0.02	–
Do Yen	Y10027		+1	–
GAM Allocated Multi-Fd	$137.69		...	–
GAM Multi-Global US$	$144.97		.....	–
GAM Trading US$ Fund	$148.52		.....	–
GAM Deferred Multi-Fd	$126.86		.....	–
GAM Multi-Europe US$	$103.22		...	–
GAM Multi-Europe DM	DM98.29		...	–
GAM Emer Mkts Multi-Fd	$107.07		–	–
GAM Market Neutral	104.84		.....	–
GAM Trading DM Fund	DM102.73		.....	–
GAM Overseas	$128.74		...	–
GAM Pacific	$581.46		...	–
GAM Selection	$544.94		–	–
GAM Singapore/Malaysia	$303.54		.....	–
GAM SFr Special Bond	SFr114.19		+1.49	–

	Bid Price	Offer Price	+ or -	Yield Gross
MINT Gtd Ltd-Jan 1994	$19.01		..	–
MINT Gtd Ltd-Dec 1994	$17.30		..	–
MINT Gtd Ltd-Aug 1995	$14.44		..	–
MINT GTD Pacific Ltd A	$12348.99			–
MINT GTD Pacific Ltd B	$12290.05			–
MINT Global Gtd Ltd	$124.23			–
FBME MINT Gtd Ltd	$123.39			–
MINT Sp Res Ltd (BNP)	$97.27		...	–
MGA Pacific Ltd	A$1.42		...	–
Athena Global Futures Ltd	$9.89		...	–
Athena Guaranteed Curr Ltd	$10.52			–
Athena Guard Financials Ltd Inc	$10.18		...	–
Athena Guard Financials Ltd Cap	$9.77			–
Athena Gtd Futures	$10.59			–
AHL/ABN	$119.13		...	–
Map Guaranteed 1996 Ltd	$9.04		...	–
MAP Leveraged Recovery	$10.53		...	–
Maverick International Fund				
NAV Feb 9	$109.99		.	–
Merrill Lynch Asset Management				
Dollar Assets P'folio	$1.00		–	–
Prime Rate Portfolio	$10.00			–
Merrill Lynch Short-Term World Income Portfolio				
Class A	$8.79		-0.01	–
Class B	$8.79		-0.01	–
Merrill Lynch Mexican Income Dollar Portfolio				
Class A	10.00		.....	–
Class B	10.00		.....	–
Merrill Lynch Mexican Income Peso Portfolio				
Class A	9.99		...	–
Class B	9.99		.....	–
Merrill Lynch Guernsey				
India Fd NAV Feb 4	£3.48		.	–
Indosuez Cap NAV Dec 31	$9.21			–
(For information only)				
Momentum Asset Mgmt				
Momentum Guild Ltd Dec 31	$93.67			–
Morgan Stanley Emerging Market Fund				
Emerging Mkts Feb 5	$15.67			–
Morgan Stanley Japanese Warrant Fund NV				
NAV	$1.6547			–
National Investment Trust Company Ltd				
The New Taiwan Fund Ltd	$7.9122		..	–
Newport International Management				
Npt. Intl. Securities	$42.3558			–
Newport Investment Management Ltd				
Npt Number 1	0.6690			–
Npt Portfolio Protection	$–		...	–
Nomura Warrant Fund 1990 Ltd				
NAV	$0.12			–
North Star Fund Managers (Cayman) Ltd				
Invest Fund	DKr341.0	342.0	.....	–
Low Risk Fund	DKr264.0	265.0	.	–
High Perf. Fund	DKr328.0	329.0	.	–
Bond Fund	DKr185.0	186.0	....	–
Second Low Risk Fd	DKr212.0	213.0	..	–
Second High Perform Fd	DKr250.0	251.0	.....	–
Mixed Intl Fd	DM174.0	175.0	..	–
Invest Fd (Cayman)	DKr155.0	156.0	.....	–
High Perf Fd (Cayman)	DKr171.0	172.0	..	–
Bond Fd (Cayman)	DKr150.0	151.0	.....	–
Mixed Fd (Cayman)	DM140.0	141.0	.....	–
High Security Fd	DKr176.0	177.0	.....	–
High Income Fd	£14.0	14.1		–
Dollar Growth Fd	$1.51	1.52		–
Dollar Income Fd	$1.28	1.29		–
North Star International Currency Fund				
US Dollars	$16.1	16.2	..	–
Pound Sterling	£19.3	19.4	..	–
Deutschmark	DM158.0	159.0		–
Japanese Yen	Y1570.0	1580.0		–
Danish Kroner	DKr171.0	172.0	..	–
Swiss Franc	SFr176.0	177.0	..	–
French Franc	FFr162.0	163.0	..	–
Swedish Kroner	SKr136.0	137.0	..	–
Northfield International Ltd				
NAV Jan 31	$8.04		–	–
Odey Asset Management Limited				
Odey European Inc	DM113.35		+0.70	–
Old Ironsides International Ltd				
Old Ironsides Nov 30	$96.15		.....	–
Omega Overseas Partners Ltd				
Omega Overseas Partners Jan 31	$113.08		–	–
Optima Fund Management				
Optima Fd NAV Feb 5	$16.34		....	–
Optima Futs Fd NAV Feb 3	$14.43		....	–
Optima Global Fd NAV Jan 31	10.04		....	–
Optima Short Fd NAV Feb 5	$7.65		.....	–
Orbis Investment Management Ltd				
Orbis Global Eqty	$14.35	15.09	...	–
Orbis Optimal Eqty	$18.97	19.93	...	–
Orbis Leveraged Eqty	$21.87	23.12	...	–
* Prices on Feb 4 Next Pricing Feb 11 Weekly Pricing				

	Bid Price	Offer Price	+ or -	Yield Gross
Thames Currency Fund Ltd				
NAV Jan 31	$13.58		..	–
Thornton Investment Management Ltd				
Eastern Crusader	$7.73	8.1165	+0.05	–
Hong Kong Gateway Fd	$28.46	29.8830	+0.10	–
Little Dragons Fund	$26.14	27.4470	+0.23	–
Philippines Renewal Fd	$37.32	39.1860	-0.25	–
Tiger Fund	$35.63	37.4115	+0.24	–
Japan Fund	$16.54	17.3670	+0.27	–
Korea Feb 5	$10.94	–	-0.10	–
Oriental Inc Fund	$19.95	20.9475	+0.07	–
Pacific Inv SA £ (z)	£11.06	11.61	+0.20	–
Pacific Inv SA DM (z)	DM26.09	–	+0.30	–
Jakarta C'mpn NAV Feb 5	$9.64			–
New Tiger Selections Fund				
Thailand	$13.68	–	+0.15	–
Malaysia	$13.08	–	+0.01	–
Indonesia	$6.17	–		–
Singapore	$13.69	–	+0.14	–
China	$12.38	–	+0.02	–
US$ Liquidity	$10.08	–	.	–
Thornton Taiwan Fund				
Equity Income	$08.83		.	–
Equity Growth	$09.81		.	–
Liquidity	$10.00		.	–
Trans Global Investments Limited				
Trans Global Inv Ltd	$170.76	175.89	...	–
Tudor G-5 Unit Trust (Japan)				
NAV Feb 3	$1071.58		...	–
Tyndall International (Bermuda) Ltd				
Am Special Sits (4-1)	$10.89	11.44	-0.07	–
Capital Protection	C$12.50	13.13	+0.01	3.60
Eurobond (2-1)	$13.40	14.08	...	4.48
Money (z) (2-1)	$13.00	13.66		2.02
Mortgage (z)	C$19.06	20.02	+0.05	9.73
North American (3-1)	$12.49	13.13	-0.06	–
Overseas (1-1)	$14.00	14.71	-0.05	–
Tiger (3-1)	$13.07	13.73	+0.04	–
Ultra Futures Fund Ltd				
Fund Advisors Ltd Jan 29	$9851.46		...	–
Ultra Sector Fund Ltd				
Fund Advisors Ltd Jan 29	$1007.44		..	–
Ultra Value Fund Ltd				
Fund Advisors Cl B Jan 29	$1000.00		.....	–
Fund Advisors Cl C Jan 29	$993.98			–
Fund Advisors Cl D Jan 29	$993.10		.....	–
The Vietnam Fund Limited				
Lloyds Bank Fund Managers (Guernsey) Ltd				
NAV Jan 31	$9.93		..	–
Wardley Investment Services Ltd				
Wardley S E Asia Tst	$16.69	17.61	+0.07	0.88
Japanese Warrants	$1.67	1.78	+0.01	–
Asian Warrants	$10.17	10.77	+0.18	–
European Warrants	$5.40	5.72	+0.05	–
Managed	HK$11.05	11.70	-0.03	–
Private Capital Tst	$20.50		+0.11	–
China Fund	$9.99			–
Wellington Fd Mngrs (Bermuda) Ltd				
Intnl Growth Fd	$12.98	13.62	+0.19	–
Wells Fargo U.S. IT Fund				
Wells Fargo A Shs (z)	$12.06		-0.02	–
Wells Fargo B Shs (z)	$11.51		+0.20	–
Worldwide Limited				
NAV Dec 31	$94.68		....	–
Xiphias International Investment Fd Ltd				
Xiphias Int US$ Acc	$1.1642		....	–
Xiphias Int ECU Acc	Ecu1.1593		.....	–
Xiphias Int ECU Dis	Ecu1.0389			–
Yamaichi Capital Mngmt (Guernsey) Ltd				
Thai Inv Fund	$13.72			–

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. u Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities). x Offered price includes all expenses except agent's commission. z Previous day's price. ¶ Guernsey gross. n Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase. xd ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission; Jersey: Financial Services Department, Luxembourg: Institut Monétaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Yen consolidates its strength

THE YEN yesterday consolidated its stronger position against both the dollar and the D-Mark, as dealers continued to speculate on the possibility of a G7 accord to reduce the Japanese trade surplus, *writes James Blitz.*

The yen appreciated to a high of Y120.64 against the dollar yesterday before closing at Y120.80, up nearly Y1 on the day. Against the D-Mark, it closed at Y73.00 from a previous Y73.42.

The Clinton administration has indicated that the Japanese trade surplus is a matter of deep concern. But there was scepticism yesterday over whether US and Japanese officials would agree to boost the currency further when they meet this weekend.

According to Mr Mark Cliffe, chief economist at Nomura securities in London, the main policy debate in Tokyo is on how to boost the fiscal stimulus to the economy rather than on raising interest rates.

Mr Neil Mackinnon, an economist at Citibank in London, says the Japanese currency will not strengthen very much because interest rates in Tokyo are unlikely to rise in the near term, limiting the returns for potential investors.

He believes the yen could appreciate to Y65 to the D-Mark and that there may be a test of the historic high of Y119.00 against the dollar, set on 28 September last year. "But I don't see the 16-20 per cent appreciation in the yen/dollar rate which some people are suggesting," he said.

Inside the European exchange rate mechanism, there were growing signs of tension in spite of last week's cuts in the Bundesbank's official interest rates.

The Bundesbank's decision to accepted a tender for its repo at 8.50 per cent, from 8.57 per cent last week, was widely expected by the market, although it raised concerns that German policy-easing was on the slow side.

The Belgian authorities raised their end-of-day support rate by 50 basis points, to 9.3 per cent, to counter selling pressure on the Belgian franc.

The Belgian authorities have privately committed their currency to diverge by only a limited amount against the D-Mark in the ERM grid. However, dealers were yesterday buying currency options to hedge against a weaker Belgian franc in the event that the ERM breaks up – and this pushed the Belgian franc as much as 30 basis points away from the D-Mark.

The Belgian currency was only 10 basis points weaker than the D-Mark on the grid last night. But Mr Mark Austin, a Treasury economist at Midland Global Markets in London, remained pessimistic. "It is hard to believe that we will get through the run-up to the French elections next month without fireworks in the ERM," he said.

Sterling yesterday traded more comfortably after two hair-raising days against the D-Mark and dollar. The pound closed unchanged at DM2.3625 and slightly stronger at $1.4275.

£ IN NEW YORK

Feb 10	Latest	Previous Close
£ Spot	1.4250-1.4260	1.4300-1.4310
1 month	0.35-0.34pm	0.36-0.34pm
3 months	1.02-1.00pm	1.03-1.00pm
12 months	2.68-2.58pm	2.72-2.62pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Feb.10	Previous
8.30 am	76.5	76.4
9.00 am	76.5	76.4
10.00 am	76.6	76.2
11.00 am	76.6	76.4
Noon	76.6	76.5
1.00 pm	76.6	76.5
2.00 pm	76.6	76.4
3.00 pm	76.6	76.5
4.00 pm	76.4	76.6

CURRENCY RATES

Feb 10	Bank ‡ rate %	Special * Drawing Rights	European † Currency Unit
Sterling	–	0.956407	0.823552
U.S Dollar	3.00	1.36288	1.18344
Canadian $	6.63	1.72800	1.49848
Austrian Sch.	8.25	15.8925	13.6889
Belgian Franc	7.50	46.6514	40.1986
Danish Krone	11.50	8.64543	7.43025
D-Mark	8.00	2.25856	1.94558
Dutch Guilder	7.50	2.53659	2.18996
French Franc	10	7.62736	6.59119
Italian Lira	11.50	2085.57	1802.09
Japanese Yen	2.50	166.953	143.043
Norway Krone	–	9.57491	8.25689
Spanish Peseta	–	160.234	138.427
Swedish Krona	11.50	10.2093	8.75997
Swiss Franc	5.50	2.09611	1.79647
Greek Drach	19	N/A	259.932
Irish Punt	–	N/A	0.799408

‡ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Feb.9

CURRENCY MOVEMENTS

Feb 10	Bank of England Index	Morgan** Guaranty Changes %
Sterling	76.4	–33.47
U S Dollar	67.0	–10.40
Canadian Dollar	95.9	–6.57
Austrian Schilling	115.1	+16.64
Belgian Franc	110.1	+1.62
Danish Krone	119.4	+12.40
D-Mark	125.4	+31.90
Swiss Franc	109.3	+17.57
Dutch Guilder	119.7	+21.18
French Franc	110.1	–6.76
Lira	81.9	–32.99
Yen	159.0	+95.33
Peseta	99.6	–24.22

Morgan Guaranty changes: average 1980-1982 = 100. Bank of England Index (Base Average 1985 = 100) **Rates are for Feb.9

OTHER CURRENCIES

Feb 10	£	$
Argentina	1.4270 - 1.4295	0.9990 - 1.0000
Australia	2.1335 - 2.1355	1.4930 - 1.4940
Brazil	24629.0 - 24647.2	17244.9 - 17245.3
Finland	8.5395 - 8.6885	6.0000 - 6.0400
Greece	312.650 - 318.950	218.350 - 222.720
Hong Kong	11.0425 - 11.0550	7.7330 - 7.7340
Iran	2200.00*	1485.00*
Korea(Sth)	1133.55 - 1151.85	794.60 - 800.80
Kuwait	0.44200 - 0.44750	0.30925 - 0.30975
Luxembourg	48.70 - 48.80	34.10 - 34.20
Malaysia	3.7520 - 3.7615	2.6270 - 2.6290
Mexico	4.4215 - 4.4240	3.0950 - 3.0970
N Zealand	2.7950 - 2.7930	1.9565 - 1.9590
Saudi Ar	5.3515 - 5.3625	3.7495 - 3.7505
Singapore	2.3460 - 2.3550	1.6455 - 1.6465
S Af (Cm)	4.4440 - 4.4545	3.1180 - 3.1200
S Af (Fn)	6.5080 - 6.5980	4.5560 - 4.6190
Taiwan	37.00 - 37.15	25.90 - 26.00
U A E	5.2410 - 5.2535	3.6715 - 3.6735

*Floating rate. Iran Official rate £98.50 $66.30

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Feb 10	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	142.150	138.427	–2.62	3.34	46
Portuguese Escudo	180.624	176.333	–2.38	3.08	40
Irish Punt	0.809996	0.799408	–1.31	1.96	57
Dutch Guilder	2.20045	2.18996	–0.48	1.11	22
D-Mark	1.95294	1.94558	–0.38	1.01	22
Danish Krone	7.44934	7.43025	–0.26	0.89	10
Belgian Franc	40.2802	40.1986	–0.20	0.83	8
French Franc	6.54988	6.59119	0.63	0.00	–37

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Feb 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4240 - 1.4385	1.4270 - 1.4280	0.36-0.34cpm	2.94	1.01-0.98pm	2.79
Canada	1.8040 - 1.8215	1.8055 - 1.8065	0.08pm-par	0.27	0.02pm-0.10dis	–0.09
Netherlands	2.6400 - 2.6665	2.6525 - 2.6625	¼-½cdis	–1.98	1-1¼dis	–1.79
Belgium	48.60 - 49.00	48.70 - 48.80	10-13cdis	–2.83	32-36dis	–2.79
Denmark	9.0010 - 9.0560	9.0200 - 9.0300	6¼-8¼oredis	–9.64	16-15½dis	–6.98
Ireland	0.9680 - 0.9730	0.9685 - 0.9695	0.58-0.77pdis	–8.36	1.92-2.35dis	–8.81
Germany	2.3505 - 2.3675	2.3600 - 2.3650	⅜-½pfdis	–2.22	1⅛-1⅜dis	–2.12
Portugal	213.00 - 214.40	213.40 - 214.40	110-121cdis	–6.48	353-380dis	–6.85
Spain	167.05 - 168.35	167.65 - 167.95	85-98dis	–6.54	269-288dis	–6.64
Italy	2171.30 - 2200.25	2199.25 - 2200.25	7-10liredis	–4.64	26-29dis	–5.00
Norway	9.9650 - 10.0440	10.0225 - 10.0325	1⅞-2⅛oredis	–2.54	6⅛-7⅛dis	–2.74
France	7.9480 - 8.0205	7.9900 - 8.0000	3½-4¼cdis	–5.72	11-12dis	–5.75
Sweden	10.5290 - 10.6725	10.6625 - 10.6725	2⅛-3¼oredis	–3.16	7¼-8⅞dis	–3.12
Japan	172.10 - 174.50	172.00 - 173.00	⅝-½ypm	3.48	1⅝-1¼pm	3.04
Austria	16.55 - 16.69	16.60 - 16.63	1⅛-2⅝grodis	–1.35	3⅛-7⅝dis	–1.37
Switzerland	2.1735 - 2.1950	2.1850 - 2.1950	¼-parpm	0.68	½-¼pm	0.68
Ecu	1.2055 - 1.2170	1.2075 - 1.2085	0.31-0.34cdis	–3.23	0.99-1.07dis	–3.41

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.74-1.69pm. 12 Month 2.70-2.60pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Feb 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4240 - 1.4385	1.4270 - 1.4280	0.36-0.34cpm	2.94	1.01-0.98pm	2.79
Ireland†	1.4695 - 1.4810	1.4720 - 1.4730	1.20-1.45cdis	–10.8	3.80-4.40dis	–11.14
Canada	1.2645 - 1.2690	1.2655 - 1.2665	0.27-0.30cdis	–2.70	0.89-0.94dis	–2.89
Netherlands	1.8485 - 1.8630	1.8620 - 1.8630	0.74-0.77cdis	–4.86	2.20-2.25dis	–4.78
Belgium	33.90 - 34.20	34.10 - 34.20	17.00-20.00cdis	–6.50	47.00-55.00dis	–5.97
Denmark	6.2700 - 6.3300	6.3200 - 6.3250	8.49-9.44oredis	–17.02	29.00-31.00dis	–18.98
Germany	1.6415 - 1.6570	1.6545 - 1.6555	0.70-0.72pfdis	–5.15	2.08-2.11dis	–5.06
Portugal	148.95 - 150.20	150.10 - 150.20	116-120cdis	–9.43	362-372dis	–9.78
Spain	116.90 - 117.85	117.75 - 117.85	90-100cdis	–9.68	275-295dis	–9.68
Italy	1521.25 - 1545.25	1540.75 - 1541.25	9.20-9.90liredis	–7.44	29.30-30.30dis	–7.74
Norway	6.9700 - 7.0280	7.0225 - 7.0275	3.00-3.50oredis	–5.55	9.60-10.60dis	–5.75
France	5.5615 - 5.6025	5.5975 - 5.6025	3.80-4.10cdis	–8.46	12.00-12.30dis	–8.68
Sweden	7.3790 - 7.4805	7.4700 - 7.4750	3.50-4.10oredis	–6.10	10.80-11.80dis	–6.05
Japan	120.60 - 121.75	120.85 - 120.95	0.05pm-0.05ydis	–	0.02-0.01pm	0.05
Austria	11.5550 - 11.6250	11.6200 - 11.6250	4.20-4.55grodis	–4.52	12.65-13.75dis	–4.54
Switzerland	1.5150 - 1.5345	1.5335 - 1.5345	0.27-0.30cdis	–2.23	0.82-0.87dis	–2.20
Ecu†	1.1765 - 1.1865	1.1765 - 1.1775	0.61-0.60cpm	6.17	1.83-1.80pm	6.17

Commercial rates taken towards the end of London trading. † UK, Ireland and Ecu are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Feb 10	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	5½ - 5	5⅞ - 5⅝	6¼ - 6⅛	6⅛ - 6¼	5⅞ - 5¾	5¾ - 5⅝
US Dollar	3 - 2⅞	3⅛ - 3	3⅛ - 3	3¼ - 3⅛	3⅜ - 3¼	3⅜ - 3⅝
Can. Dollar	6⅛ - 5⅞	6⅛ - 5⅞	6⅛ - 5⅞	6⅛ - 6⅛	6½ - 6¼	6⅝ - 6⅝
Dutch Guilder	8⅜ - 8¼	8⅜ - 8¼	8⅜ - 8¼	8⅛ - 8	7⅞ - 7⅞	7⅝ - 7⅝
Swiss Franc	6 - 5¾	5⅞ - 5⅝	5⅞ - 5⅝	5½ - 5⅜	5⅝ - 5¼	5⅛ - 5
D-Mark	8¾ - 8⅝	8¾ - 8⅝	8⅞ - 8⅜	8⅜ - 8⅛	7⅞ - 7⅞	7⅜ - 7¼
French Franc	11⅝ - 11½	11⅞ - 11⅝	12⅛ - 12	12⅛ - 12	10⅞ - 10¼	9⅞ - 9⅝
Italian Lira	13 - 11	11½ - 11	11¼ - 10⅞	11¼ - 10⅞	11¼ - 10¼	11⅛ - 10⅞
Belgian Franc	9 - 8⅞	9⅛ - 9	9⅛ - 9	8⅞ - 8⅞	8½ - 8⅛	7⅞ - 7⅞
Yen	3¼ - 3⅛	3¼ - 3⅛	3¼ - 3⅛	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼
Danish Krone	15 - 13	25 - 15	33 - 29	23 - 21	16½ - 15½	13 - 12
Asian $Sing.	4¼ - 3¼	4¼ - 3¼	3¼ - 2¾	3½ - 2½	3½ - 2½	3¼ - 2¼
Spanish Peseta	13¼ - 13¼	13¼ - 13¼	13¼ - 13¼	13⅛ - 12⅞	12⅞ - 12⅝	12⅝ - 12⅜
Portuguese Esc.	12⅞ - 12	13¼ - 12⅞	13⅝ - 13¼	13½ - 13	13½ - 13	13¼ - 12⅞

Long term Eurodollars: two years 4½-4⅜ per cent; three years 5⅛-4⅞ per cent; four years 5½-5⅜ per cent; five years 5⅞-5⅝ per cent nominal. Short term rates are call for US Dollar and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Feb.10	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.428	2.363	172.5	7.995	2.190	2.658	2200	1.806	48.75	167.8	1.208
$	0.700	1	1.655	120.8	5.599	1.534	1.861	1541	1.265	34.14	117.5	0.846
DM	0.423	0.604	1	73.00	3.383	0.927	1.125	931.0	0.764	20.63	71.01	0.511
YEN	5.797	8.278	13.70	1000	46.35	12.70	15.41	12754	10.47	282.6	972.8	7.003
F Fr.	1.251	1.786	2.956	215.8	10.	2.739	3.325	2752	2.259	60.98	209.9	1.511
S Fr.	0.457	0.652	1.079	78.77	3.651	1	1.214	1005	0.825	22.26	76.62	0.552
N Fl.	0.376	0.537	0.889	64.90	3.008	0.824	1	827.7	0.679	18.34	63.13	0.454
Lira	0.455	0.649	1.074	78.41	3.634	0.995	1.208	1000	0.821	22.16	76.27	0.549
C $	0.554	0.791	1.308	95.51	4.427	1.213	1.472	1218	1	26.99	92.91	0.669
B Fr.	2.051	2.929	4.847	353.8	16.40	4.492	5.452	4513	3.705	100.	344.2	2.478
Pta	0.596	0.851	1.408	102.8	4.765	1.305	1.584	1311	1.076	29.05	100.	0.720
Ecu	0.828	1.182	1.956	142.8	6.618	1.813	2.200	1821	1.495	40.36	138.9	1.

Yen per 1,000. French Fr per 10. Lira per 1,000. Belgian Fr. per 100. Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS
£50,000 64ths of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
99	2-28	4-08	0-02	0-30
100	1-33	3-22	0-07	0-44
101	0-46	2-40	0-20	0-62
102	0-16	2-00	0-54	1-22
103	0-04	1-30	1-42	1-52
104	0-01	1-04	2-39	2-26
105	0	0-47	3-38	3-05
106	0	0-32	4-38	3-54

Estimated volume total, Calls 3883 Puts 7022
Previous day's open int. Calls 32273 Puts 43640

LIFFE EURO SWISS FRANC OPTIONS
SFR 1m points of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
9400	0.67	1.12	0.01	0.01
9425	0.44	0.88	0.03	0.02
9450	0.21	0.65	0.05	0.04
9475	0.08	0.45	0.17	0.09
9500	0.03	0.27	0.37	0.16
9525	0.02	0.15	0.61	0.29
9550	0.01	0.07	0.85	0.46
9575	0	0.04	1.09	0.68

Estimated volume total, Calls 50 Puts 200
Previous day's open int. Calls 1266 Puts 3436

LIFFE BUND FUTURES OPTIONS
DM250,000 points of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
9200	1.34	1.71	0.01	0.18
9250	0.85	1.39	0.02	0.30
9300	0.40	0.99	0.07	0.46
9350	0.12	0.71	0.29	0.68
9400	0.03	0.50	0.70	0.97
9450	0.01	0.34	1.18	1.31
9500	0	0.24	1.67	1.71
9550	0	0.15	2.17	2.12

Estimated volume total, Calls 4795 Puts 3670
Previous day's open int. Calls 90533 Puts 86217

LIFFE EUROMARK OPTIONS
DM1m points of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
9125	0.70	1.61	0	0
9150	0.46	1.37	0.01	0.01
9175	0.25	1.14	0.05	0.03
9200	0.12	0.91	0.17	0.05
9225	0.06	0.69	0.36	0.08
9250	0.03	0.50	0.58	0.14
9275	0.02	0.35	0.82	0.24
9300	0.01	0.23	1.06	0.37

Estimated volume total, Calls 10124 Puts 11316
Previous day's open int. Calls 156698 Puts 104782

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS Lira 200m 100ths of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
9450	1.38	2.08	0.08	0.93
9500	0.97	1.75	0.17	1.10
9550	0.62	1.51	0.32	1.36
9600	0.35	1.27	0.55	1.62
9650	0.18	1.06	0.88	1.91
9700	0.08	0.87	1.28	2.22
9750	0.04	0.71	1.74	2.56
9800	0.03	0.57	2.23	2.92

Estimated volume total, Calls 610 Puts 699
Previous day's open int. Calls 9840 Puts 5783

LIFFE SHORT STERLING OPTIONS
£500,000 points of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
9350	0.68	1.16	0.03	0.07
9375	0.46	0.94	0.06	0.10
9400	0.29	0.74	0.14	0.15
9425	0.16	0.56	0.26	0.22
9450	0.09	0.41	0.44	0.32
9475	0.05	0.29	0.65	0.45
9500	0.03	0.20	0.88	0.61
9525	0.02	0.13	1.12	0.79

Estimated volume total, Calls 3511 Puts 7824
Previous day's open int. Calls 121693 Puts 85382

LONDON (LIFFE)

9% NOTIONAL BRITISH GILT *
£50,000 32nds of 100%

	Close	High	Low	Prev.
Mar	101-13	101-16	100-26	101-02
Jun	102-21	102-21	102-08	102-16

Estimated volume 36833 (39982)
Previous day's open int. 63620 (61770)

US TREASURY BONDS 8% *
[illegible]

6% NOTIONAL GERMAN GOVT. BOND *
[illegible]

6% NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)
[illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND
[illegible]

12% NOTIONAL ITALIAN GOVT. BOND (BTP)
[illegible]

THREE MONTH STERLING
£500,000 points of 100%
[illegible]

THREE MONTH EURODOLLAR
$1m points of 100%
[illegible]

THREE MONTH EUROMARK
DM 1m points of 100%
[illegible]

THREE MONTH ECU
ECU 1m points of 100%
[illegible]

THREE MONTH EURO SWISS FRANC
SFR 1m points of 100%
[illegible]

THREE MONTH EUROLIRA INT. RATE
LIRA 1,000m points of 100%
[illegible]

FT-SE 100 INDEX *
£25 per full index point

	Close	High	Low	Prev.
Mar	[illegible]	[illegible]	[illegible]	[illegible]
Jun	2829.5	2847.0	2827.5	2841.0
Sep	2846.5			2858.0

Estimated volume 11063 (15309)
Previous day's open int. 57161 (57302)

* Contracts traded on APT. Closing prices shown.

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Mar	107-30	107-31	107-24	107-29
Jun	106-23	106-23	106-16	106-21
Sep	105-13	105-14	105-13	105-14
Dec	-	-	-	104-09
Mar	-	-	-	103-08
Jun	102-08	102-08	102-08	102-08

[illegible]

U.S. TREASURY BILLS (IMM)
$1m points of 100%
[illegible]

BRITISH POUND (IMM)
$ per £
[illegible]

SWISS FRANC (IMM)
SFr 125,000 $ per SFr
[illegible]

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Mar	0.8263	0.8285	0.8219	0.8253
Jun	0.8264	0.8286	0.8257	0.8256
Sep	-	-	-	0.8265

DEUTSCHE MARK (IMM)
DM125,000 $ per DM
[illegible]

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%
[illegible]

STANDARD & POORS 500 INDEX
$500 times index
[illegible]

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)
[illegible]

PARIS

7 to 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES
[illegible]

THREE-MONTH PIBOR FUTURES (MATIF) (Paris Interbank offered rate)
[illegible]

CAC-40 FUTURES (MATIF) Stock Index
[illegible]

ECU BOND (MATIF)
[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls March	Calls June	Calls September	Puts March	Puts June	Puts September
111	2.26	-	-	-	0.18	-
112	1.34	-	-	0.06	0.28	-
113	0.50	-	-	0.26	0.45	-
114	0.12	1.67	-	0.87	0.70	-
115	0.02	1.04	1.50	-	1.09	-
Open int	134,190	107,232	7,345	191,842	60,349	3,940

Estimated volume 21,424 † Total Open Interest 504,898
† All Yield & Open Interest figures are for the previous day.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4275	1.4240	1.4176	1.4104	1.4010

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	7
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williman Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	Unibank plc	7
Bank of Scotland	6	*Hampshire Trust Plc*	13.5	●United Bk of Kuwait	6
Barclays Bank	6	Heritable & Gen Inv Bk.	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	●Hill Samuel	6	Western Trust	6
●Brown Shipley	6	C. Hoare & Co	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Hongkong & Shanghai	6	Yorkshire Bank	6
Citibank NA	6	Julian Hodge Bank	6		
City Merchants Bank	6	●Leopold Joseph & Sons	6		
Clydesdale Bank	6	Lloyds Bank	6		
The Co-operative Bank	6	Meghraj Bank Ltd	6		
Coutts & Co	6	*McDonnell Douglas Bk.*	6		
Credit Lyonnais	6	*Midland Bank*	6		

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

Repo is disappointing

SHORT-DATED Euromark futures fell back yesterday after the Bundesbank reduced the lowest accepted rate in its weekly securities repurchase tender by only 7 basis points, *writes James Blitz.*

Hopes of a substantial cut in the rate at which the Bundesbank offers funds to commercial banks had been dashed at the weekend after Mr Helmut Schlesinger, the central bank's president, indicated that last week's cut in Germany's officially-posted interest rates would not mean a lowering in the cost of money market funds.

UK clearing bank base lending rate
6 per cent
from January 26, 1993

However, there was still some disappointment when the lowest accepted repo rate came in at 8.50 per cent, from last week's 8.57.

The March Euromark contract fell back 4 basis points from its previous close, finishing at 91.97. At this level, it prices 3-month money next month at 8.03 per cent. Call money was virtually unchanged yesterday at 8.60 per cent.

The duller tone continued to take its toll on French franc markets. The cost of 3-month cash hovered around 12 per cent, while the March French franc contract closed 30 basis points down on the day, at 88.57. At this level it assumes that 3-month money will come down only 50 basis points between now and the French elections.

There was little activity in sterling markets. The March futures contract rose 6 basis points to close at 94.16, while 3-month money was unchanged at 6⅛ per cent.

One dealer suggested yesterday that the March contract was a very good buy from here. He listed several events which could raise expectations of a cut in UK base rates in the next two months. These include 2 Bundesbank meetings, and a further one on the day after the March contract expires; a G7 finance ministers' meeting in London on February 27, which may discuss the high level of European interest rates; and the UK budget on March 16.

Convergence of the March contract with the current level of 3-month money could, of course, bring the March future down to around 93.75. Developing problems over the Maastricht treaty could also undermine sterling on the foreign exchanges.

But, if sterling stabilises at its current level, there may be reasons to buy the contract now.

FT LONDON INTERBANK FIXING

11.00 a.m. Feb.10	3 months US dollars		6 months US Dollars	
	bid 3¼	offer 3⅜	bid 3¼	offer 3⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	6	One month	2.85	Three year	4.73
Broker loan rate	5	Two month	2.86	Five year	5.53
Fed.funds	2¾	Three month	2.98	Seven year	5.97
Fed.funds at intervention	-	Six month	3.19	10-year	6.38
		One year	3.46	30-year	7.19
		Two year	4.20		

Feb.10	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.50-8.60	8.40-8.55	8.30-8.45	8.20-8.35	7.85-8.00	9.00
Paris	11⅜-11½	11⅞-12⅛	-	11⅝-12⅛	-	9.10
Zurich	5⅝-5⅞	5⅞-5⅞	-	5⅜-5⅞	-	-
Amsterdam	8.25-8.38	8.10-8.18	-	8.02-8.10	-	-
Tokyo	3⅛-3⅛	3⅛-3⅛	-	-	-	-
Milan	11⅝-11⅞	11⅞-11⅞	-	11⅛-11⅜	-	-
Brussels	-	8⅝-8⅝	-	8⅝-8½	-	-
Dublin	12⅞-13	13⅞-14⅛	13⅞-14	13½-13⅞	12½-12⅞	-

LONDON MONEY RATES

Feb 10	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	5½	6	6⅛	6¼	6	5¾
Interbank Bid	2	5⅞	6⅛	6⅛	5⅞	5⅝
Sterling CDs	-	-	6⅛	6⅛	5⅞	5⅝
Local Authority Deps.	5½	6	6⅛	6¼	5⅞	5¾
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	5½	5¾	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	6⅛	6⅛	5⅞	5⅞
Treasury Bills (Buy)	-	-	5¾	5½	5⅞	-
Bank Bills (Buy)	-	-	5⅞	5⅞	5½	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.04	3.12	3.24	3.52
SDR Linked Dep. Offer	-	-	5½	5⅞	5¼	5⅛
SDR Linked Dep. Bid	-	-	5⅜	5⅜	5⅛	5
ECU Linked Dep. Offer	-	-	9⅝	9⅝	9⅛	8⅝
ECU Linked Dep. Bid	-	-	9½	9¼	9	8½

Treasury Bills (sell); one-month 5⅝ per cent; three months 5⅜ per cent; six months 5⅜ per cent; Bank Bills (sell): one-month 5⅝ per cent; three months 5½ per cent; Treasury Bills; Average tender rate of discount 5.3246. ECGD Fixed Rate Sterling Export Finance. Make up day January 29, 1993. Agreed rates for period February 24, 1993 to March 23, 1993, Scheme I: 8.32 p.c. Schemes II & III: 8.20 p.c. Reference rate for period January 1, 1993 to January 29, 1993, Scheme IV&V: 7.0 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 7½ from February 1, 1993. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 2¾ per cent; one-three months 5¼ per cent; three-six months 5 per cent; six-nine months 4¾ per cent; nine-twelve months 4½ per cent; Under £100,000 2¾ per cent from Jan.27, 1993. Deposits withdrawn for cash 1¼ per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

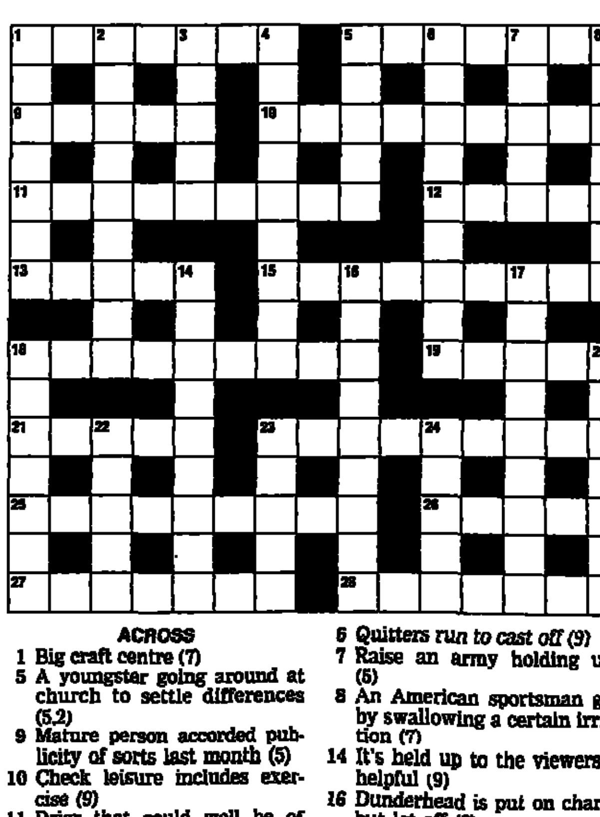
[illegible]

Money Market Bank Accounts

[illegible]

CROSSWORD

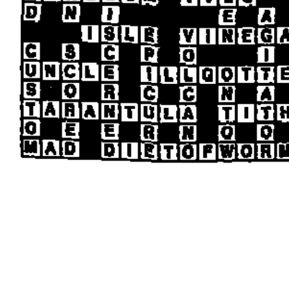
No.8,074 Set by VIXEN



ACROSS
1 Big craft centre (7)
5 A youngster going around at church to settle differences (5,2)
9 Mature person accorded publicity of sorts last month (5)
10 Check leisure includes exercise (9)
11 Drier that could well be of poor quality (5-4)
12 Bolt in a panic at Christmas (5)
13 Monarchal right a sovereign retains for example (5)
15 Senior citizens become expert in painting (3,6)
18 Light romances? (9)
19 Colour isn't a problem (5)
21 Clear this area! (5)
22 A woman in depression's found friends (9)
25 He'll want to look around these rigs in need of repair (9)
26 Furniture with many locks (5)
27 People in the wrong can cause distress (7)
28 Medal or order showing noble title (7)

DOWN
1 Break for the star to get made up (7)
2 A Greek character alone is presented in comic fashion (9)
3 Work a man's decided upon (5)
4 Tease in rating over a 1 across (9)
5 Adhesive is wanted – there's no more, note (5)
6 Quitters run to cast off (9)
7 Raise an army holding unit (5)
8 An American sportsman gets by swallowing a certain irritation (7)
14 It's held up to the viewers as helpful (9)
16 Dunderhead is put on charge, but let off (9)
17 One-time soldiers aim to join the company (5-4)
18 Place to stow money away (7)
20 Rum's not perhaps generally regarded as a cure-all (7)
22 The cabinet-maker's boring contrivance (5)
23 Some cyclist pedalling backwards to appear clever (5)
24 Military personnel with a dog come at intervals (5)

Solution to Puzzle No.8,073



WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close February 10

INDICES

NEW YORK

DOW JONES	Feb 9	Feb 8	Feb 5	Feb 4	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3414.58	3437.54	3442.14	3416.74	3442.14 (5/2/93)	3138.58 (9/10/92)	3442.14 (5/2/93)	41.22 (2/7/32)
Home Bonds	105.74	105.44	105.70	105.57	105.74 (9/2/93)	98.41 (20/3/92)	105.74 (9/2/93)	54.99 (1/10/81)
Transport	1559.40	1589.61	1585.58	1579.54	1589.61 (8/2/93)	1204.40 (26/8/92)	1589.61 (8/2/93)	12.32 (8/7/32)
Utilities	232.47	233.39	233.73	234.16	234.16 (4/2/93)	200.74 (8/4/92)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl. Day's High 3449.16 (3472.94) Low 3384.86 (3408.91) (Theoretical♠)
Day's High 3436.48 (3456.19) Low 3407.83 (3429.17) (Actual♠)

STANDARD AND POOR'S

	Feb 9	Feb 8	Feb 5	Feb 4	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	445.33	447.85	448.93	449.56	449.56 (4/2/93)	394.50 (8/4/92)	449.56 (4/2/93)	4.40 (1/6/32)
Industrials	514.23	517.28	518.41	518.43	518.43 (4/2/93)	470.91 (8/4/92)	518.43 (4/2/93)	3.62 (21/6/32)
Financial	43.51	43.79	43.98	44.32	44.32 (4/2/93)	32.40 (8/4/92)	44.32 (4/2/93)	8.64 (1/10/74)
NYSE Composite	245.54	247.07	247.60	247.98	247.98 (4/2/93)	217.92 (8/4/92)	247.98 (4/2/93)	4.46 (25/4/42)
Amex Mkt. Value	415.00	417.16	416.58	415.51	418.99 (12/2/92)	364.85 (9/10/92)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	692.21	698.44	700.98	708.85	708.85 (4/2/93)	547.84 (26/6/92)	708.85 (4/2/93)	54.87 (31/10/72)

	Feb 5	Jan 29	Jan 22	year ago (approx.)
Dow Industrial Div. Yield	3.01	3.13	3.18	2.87
	Feb 3	Jan 27	Jan 20	year ago (approx.)
S & P Industrial div. yield	2.46	2.51	2.60	2.58
S & P Indl. P/E ratio	27.44	26.96	26.62	25.43

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
IBM	3,578,000	53⅜	+ ½
Carr Real	3,559,300	24⅞	— —
Merck	2,889,600	39⅛	+ ⅝
Glaxo	2,597,600	18½	- ½
Calif Fed	2,399,300	4⅞	— —
Gen Motors	2,357,800	38⅜	- ½
Chrysler	2,326,800	39¼	- 1⅛
Citicorp	2,092,600	25¾	- ¼
Pet Inc	1,986,200	15⅞	- ½
RJR Nabisco	1,973,600	8½	- ⅛

TRADING ACTIVITY

† Volume (Millions)	Feb 9	Feb 8	Feb 5
New York SE	233.630	240.350	324.384
Amex	21.241	19.053	19.255
NASDAQ	(a)	222.073	259.039
NYSE			
Issues Traded	2,482	2,473	2,458
Rises	697	937	899
Falls	1,208	945	1,018
Unchanged	557	591	541
New Highs	84	137	204
New Lows	17	11	14

CANADA

TORONTO	Feb 9	Feb 8	Feb 5	Feb 4	1992/93 HIGH	1992/93 LOW
Metals & Minerals	2972.25	2927.82	2900.02	3862.59	3238.87 (16/1/92)	2529.91 (17/11/92)
Composite	3414.11	3394.83	3377.91	3368.40	3668.00 (16/1/92)	3195.40 (14/10/92)
MONTREAL Portfolio	1778.88	1767.00	1757.19	1762.08	1937.59 (16/1/92)	1663.15 (14/10/92)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (a) Unavailable. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

	Feb 10	Feb 9	Feb 8	Feb 5	1992/93 HIGH	1992/93 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1591.1	1583.9	1559.4	1543.3	1684.50 (22/5/92)	1357.30 (16/11/92)
All Mining (1/1/80)	618.5	616.6	606.3	565.8	726.80 (3/7/92)	545.40 (18/11/92)
AUSTRIA						
Credit Aktien (30/12/84)	332.37	333.90	335.37	335.88	458.57 (24/2/92)	291.41 (13/8/92)
Traded Index (2/1/91)	791.25	795.90	799.15	801.39	1099.43 (24/2/92)	682.96 (13/8/92)
BELGIUM						
BEL20 (1/1/91)	1213.85	1213.94	1220.47	1228.91	1235.40 (2/6/92)	1046.07 (3/9/92)
DENMARK						
Copenhagen SE (3/1/83)	279.60	280.63	282.46	284.55	365.29 (15/1/92)	250.42 (28/10/92)
FINLAND						
HEX General (28/12/90)	926.4	911.0	899.3	901.0	935.90 (24/2/92)	541.00 (7/9/92)
FRANCE						
CAC General (31/12/81)	499.29	488.45	501.34	494.11	555.93 (12/5/92)	441.70 (7/10/92)
CAC 40 (31/12/87)	1893.32	1894.05	1904.73	1908.16	2077.49 (11/5/92)	1611.04 (5/10/92)
GERMANY						
FAZ Aktien (31/12/58)	649.52	644.90	642.41	643.00	725.26 (26/5/92)	565.61 (12/10/92)
Commerzbank (1/12/53)	1840.80	1828.10	1820.80	1822.80	2043.80 (25/5/92)	1594.60 (12/10/92)
DAX (30/12/87)	1649.81	1641.58	1647.16	1641.37	1811.57 (25/5/92)	1420.30 (6/10/92)
HONG KONG						
Hang Seng Bank (31/7/64)	5835.55	5788.52	5786.65	5747.21	6447.11 (13/11/92)	4301.78 (2/1/92)
IRELAND						
ISEQ Overall (4/1/88)	1305.49	1318.96	1334.63	1348.42	1469.57 (17/1/92)	1094.88 (19/10/92)
ITALY						
Banca Com. Ital. (1972)	498.15	499.88	508.12	504.21	551.58 (8/2/92)	354.93 (16/9/92)
MIB General (4/1/93)	1096.0	1104.0	1125.0	1114.0	1125.00 (8/2/93)	992.00 (11/1/93)
JAPAN						
Nikkei (16/5/49)	17099.90	17022.27	17281.73	17302.90	23801.18 (8/1/92)	14309.41 (18/8/92)
Tokyo SE (Topix) (4/1/68)	1295.93	1295.10	1309.59	1308.47	1763.43 (6/1/92)	1102.50 (18/8/92)
2nd Section (4/1/68)	1700.34	1695.66	1699.13	1690.33	2459.85 (6/1/92)	1502.77 (19/8/92)
MALAYSIA						
KLSE Composite (4/4/86)	638.62	638.97	641.60	644.83	660.35 (5/11/92)	546.63 (14/1/92)
NETHERLANDS						
CBS Tti.Rtn.Gen.(End 1983)	308.3	309.1	309.3	307.2	314.80 (8/6/92)	274.80 (8/1/92)
CBS All Shr (End 1983)	207.5	208.0	208.1	206.8	215.50 (26/5/92)	188.70 (25/8/92)
NORWAY						
Oslo SE (Ind) (2/1/83)	728.74	719.67	695.88	698.41	772.74 (18/5/92)	532.43 (25/8/92)
PHILIPPINES						
Manila Comp (2/1/85)	1379.67	1374.54	1379.89	1342.01	1580.95 (11/6/92)	1083.01 (17/3/92)
SINGAPORE						
SES All-Singapore (2/4/75)	411.34	410.71	408.81	410.81	418.99 (21/1/92)	351.41 (21/10/92)
SOUTH AFRICA						
JSE Gold (28/9/78)	880.0♥	891.0	868.0	871.0	1327.00 (21/1/92)	746.00 (10/11/92)
JSE Industrial (28/9/78)	4645.0♥	4609.0	4581.0	4597.0	4889.00 (4/6/92)	3836.00 (19/10/92)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	677.25	675.39	672.18	677.31	709.77 (8/1/93)	459.07 (21/8/92)
SPAIN						
Madrid SE (30/12/85)	234.25	235.03	238.17	238.82	286.51 (28/2/92)	178.48 (5/10/92)
SWEDEN						
Affarsvariden Gen. (1/2/37)	964.50	948.90	944.70	928.2	1014.50 (11/5/92)	639.00 (5/10/92)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	938.3	945.3	945.7	943.9	945.70 (8/2/93)	748.50 (8/1/92)
SBC General (1/4/87)	717.9	722.0	721.8	719.2	722.00 (9/2/93)	586.40 (26/8/92)
TAIWAN**						
Weighted Price (30/6/66)	3578.10	3637.03	3648.75	3627.46	5391.63 (30/1/92)	3088.43 (9/1/93)
THAILAND						
Bangkok SET (30/4/75)	890.13	972.68	980.93	980.05	898.44 (25/1/93)	667.84 (19/5/92)
WORLD						
M.S. Capital Intl.(1/1/70) $	503.4*	503.7	504.6	504.5	542.10 (7/1/92)	467.50 (8/4/92)
Euro Top-100 (26/6/90)	911.72	911.97	917.05	915.55	978.55 (25/5/92)	772.52 (5/10/92)

**Saturday February 6: Taiwan Weighted Price: 3,645.41, Korea Comp Ex. 671.42
♥ Subject to official recalculation.
*Calculated at 15.00 GMT.

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Wednesday, 10th February, 1993

	Stocks Traded	Closing Prices	Change on day
Isuzu Motor	5.8m	380	+6
Gajoen Kanko	5.4m	265	+25
Nissan Chem Ind	2.9m	758	+6
Toyota Motor Ch	2.7m	1,440	
Sekisui House	2.6m	835	-12
Nagase & Co	2.3m	830	+45
Daikyo Kanko	2.3m	824	+29
Oki Electric Ind	2.1m	400	+5
Seika Sangyo Co	2.1m	751	+20
Hitachi	1.6m	700	-7

JAPAN

4 pm close February 10

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992/93 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
15 7/8	10 3/4	AAR Corp	0.48	4.0	22	491	12 3/4	12	12	-3/8
28 1/2	18	A L Labs A	0.18	0.7	180	65	25 7/8	25 3/8	25 3/4	+1/8
68 3/4	52 7/8	AMP Inc x	1.60	2.7	21	3341	59	58 3/8	58 1/2	-1/4
80 1/4	54 3/8	AMR			9	5628	62 7/8	61 1/2	62 1/2	-1/4
2 3/8	1 3/8	ARX			13	46	2	1 7/8	2	+1/4
53 1/2	29 7/8	ASA	2.00	5.3	25	1844	38 1/8	38 3/4	38	+2
34 3/4	26	Abbott Lab	0.60	2.2	16	13604	27 3/4	27 1/8	27 5/8	+1/4
13 7/8	10 3/8	Abitibi Pr	0.50	4.4	4	z100	11 1/8	11 1/8	11 1/4	+1/8
11 5/8	10 1/8	ACM Gvt In x	0.96	8.6		755	11 3/8	11 1/8	11 1/8	-1/8
10 3/8	9	ACM GvOpp x	0.80	8.6		107	9 3/8	9 1/4	9 1/4	-1/8
9 3/4	8 1/2	ACM Gvt Sp x	0.80	8.5		302	9 1/2	9 3/8	9 3/8	-1/8
11 3/8	9 7/8	ACM Gvt Sc	0.96	8.8		308	11	10 7/8	10 7/8	-1/8
10 5/8	8 5/8	ACM Man x	1.08	10.5		176	10 1/4	10	10 1/4	+1/8
12 7/8	8 5/8	ACM Mangd x	0.78	8.5		210	9 1/4	9 1/8	9 1/8	-1/8
11 3/4	4 3/4	Acme Cleve	0.40	4.6	18	44	8 5/8	8 3/8	8 5/8	+1/4
9 1/4	3 3/4	Acme Elect			160	59	8	7 3/4	8	+1/8
33 1/4	13 1/2	Acuson			10	773	14	13 3/4	13 7/8	-1/8
21 1/8	18 1/8	Adams Expr x	0.48	2.3		86	20 7/8	20 5/8	20 3/4	+1/8
49 5/8	29 1/2	Ad Micro	3.00	8.2		333	48 1/2	48	48	+1/4
21 1/2	7 1/2	Ad Micro P	3.00	15.2	7	7651	20 1/4	19 5/8	19 3/4	
9 1/8	4 7/8	Advest Grp	0.16	2.6	12	25	6 1/4	6 1/8	6 1/4	
45 3/8	33	Aegon ADR	1.35	3.0	8	29	44 3/4	44 5/8	44 3/4	+1/8
53 3/4	38	Aetna Lf	2.76	5.3	15	3479	52 3/4	51 3/4	51 3/4	-3/4
14 1/2	8 3/8	Affil A x	0.24	2.0	30	699	12 1/4	11 7/8	12 1/8	+1/8
36 1/2	24	Aflac x	0.44	1.2	16	985	36 1/8	35 3/4	36	+1/8
22 1/8	13	Ahmanson x	0.88	4.3	10	1947	20 5/8	20 1/4	20 1/2	+1/8
22 1/2	4	Aileen Inc			12	178	7 1/2	7 1/4	7 3/8	+1/8
49 1/2	36 1/2	Air Pr Chm	0.86	1.9	18	2298	45 3/4	45 1/8	45 3/4	-1/4
29 3/4	12 1/2	Airbne Frt	0.30	1.3	187	279	22 5/8	22 3/8	22 1/2	
23	11 1/4	Airgas Inc			30	277	22 1/4	21 1/8	22	+3/4
12 3/8	8 1/8	Airlease	1.60	13.1	10	80	a12 3/8	12 1/8	12 1/4	
104	99	AlaPw8.16	8.16	8.0		z100	103 1/2	103 1/2	103 5/8	
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Samsung Personal Fax

Telephone Answering Machine
Automatic Paper Cutter
60 Locations Automatic Dial

SAMSUNG

Technology that works for life

Continued on next page

NYSE COMPOSITE PRICES

1992/93 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
22⅝	14⅞	Ruddick	0.24	1.1	18	339	22	21½	21⅞	+⅜
37	18	RussBerrie	0.70	2.7	6	1031	26⅝	24⅝	26	
40⅜	27¾	Russell Cp x	0.36	1.0	17	262	35¼	35	35¼	-½
32¼	19⅝	Ryder Syst	0.60	2.0	22	2574	30½	29⅝	29¾	-⅝
28	18½	Ryland Grp	0.60	3.0	12	901	20¼	19¾	20	-½
- S -										
21	16⅞	S Anita Rt	1.38	6.9	27	288	20¼	19⅝	19¾	+⅜
19¾	13¼	SCOR US Cp	0.28	1.4	17	115	u20¼	19⅞	20¼	+⅝
29½	19	SPS Techno	1.28	6.1	34	74	21⅞	20⅞	20⅞	-1
15⅛	12⅛	Sabine Rt x	1.25	9.4	10	25	13¼	13⅛	13¼	
11⅞	7¼	Safecard	0.10	1.0	14	181	10½	10⅜	10½	
23½	11⅜	Safeg'd Sc			10	59	21	20¼	20⅝	+⅞
32¼	22⅝	SafetyKln	0.36	1.6	29	3077	22⅞	22⅜	22⅞	+⅜
20¼	9⅝	Safeway			48	784	13¼	12⅞	13	-⅛
4⅝	2	SafewayW96				37	2½	2½	2½	
41⅞	29⅞	StJoePaper	0.20	0.5	44	110	38⅝	38½	38⅝	
34⅞	28⅞	StJosL&P x	1.76	5.3	15	63	33¾	33⅛	33½	+⅜
83¼	66½	St Paul's	2.80	3.4	21	357	82⅞	82⅛	82⅝	-⅜
10	2⅞	Salant Crp			6	56	9½	8⅞	9½	
76	61⅞	Sallie Mae	1.20	1.8	15	4804	67⅛	65⅝	65⅝	-⅜
14⅞	13	Salomon Br x	0.61	4.5		151	13½	13⅜	13½	+⅛
41½	36¼	Salomonlnc	0.64	1.5	9	1240	u41¾	41¼	41½	+¼
25¼	21¼	SanDgo G&E	1.44	5.7	14	493	u25⅜	25⅛	25¼	+⅛
4⅞	2⅞	SantaFeEDu	0.40	10.3	43	86	3⅞	3¾	3⅞	+⅛
9⅞	7	SantaFeERe	0.16	1.7	137	482	u9⅞	9⅝	9⅝	
39¾	30¼	SantaFePac	2.80	7.4	13	8	37⅞	37⅝	37⅝	
15⅛	10⅝	SantaFeSth	0.10	0.7	43	10536	15	14¾	14¾	
32½	27	Sara Lee	0.58	2.0	21	3627	28⅞	28¼	28⅞	+⅜
44¼	38⅝	Scana Corp	2.88	6.1	15	250	43⅞	43½	43¾	+¼
47⅞	40¼	Scecorp	2.80	6.0	13	1776	46½	46⅜	46⅜	-⅛

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- V -

[illegible]

- W -

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- X - Y - Z -

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Price data supplied by Telekurs

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration. a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close February 10

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
Olsten x	0.36	51	309	45⅛	44⅝	44⅝	+⅛
Pegasus G	0.10	34	3326	16⅜	15⅝	16⅜	+¾
Pentol	0.80	16	153	16⅞	16¼	16½	-⅜
Pet H&P	1.14	11	42	16	16	16	
Phil LD	0.25	10	1145	36	35¼	35⅞	+⅛
PitWay A	0.70	19	28	35⅞	35⅝	35⅝	-¼
Ply Gem x	0.12	24	34	12¼	12	12¼	+⅛
PMC	0.72	18	239	13¾	13⅝	13⅝	
PresidioA	0.10	0	143	⅞	1⅟₁₆	1⅟₁₆	-⅟₁₆
RB&W Cp		2	50	3⅟₁₆	3	3	
RiedelEnv		11	31	7⅛	6¾	7⅛	+⅛

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
Can Marc	0.23	8	20	10¾	10¾	10¾	
Cmbrx A	0.01	30	934	4⅟₁₆	4⅟₁₆	4⅟₁₆	+⅛
Chambers		6	23	5	4¾	5	+⅛
Champion		27	94	12¼	12⅛	12¼	+⅛
Chiles		0	58	2⅛	2⅟₁₆	2⅟₁₆	-⅟₁₆
Gulf Cda	0.34	4	1656	3⅟₁₆	3	3	-⅛
Hasbro x	0.20	18	4751	32⅝	31⅝	32¼	-⅛
Health Ch		19	53	2⅜	2⅛	2⅜	+⅜
Numac O&G		2	7	5⅛	5	5⅛	
NV Ryan		1	84	¾	⅟₁₆	¾	
Odetics A		93	82	7½	7¼	7½	+⅛
WRET	1.12	21	351	u15¼	14¾	14¾	-¼
Worthen x	0.20	10	40	25½	25⅛	25½	+⅛
Xytronix		6	2100	8⅞	8⅞	8¾	

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NASDAQ NATIONAL MARKET

4 pm close February 10

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
[illegible]							

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -

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AMERICA

US equities weaken slightly in light trading

Wall Street

ALTHOUGH shares in blue-chip and medium-sized companies traded in a narrow range in light volume yesterday, secondary stocks posted solid gains amid strong demand for technology issues, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was down 6.75 at 3,407.83. The more broadly based Standard & Poor's 500 was up just 0.68 at 446.01, while the Amex composite was 0.49 firmer at 415.49, and the Nasdaq composite up 4.03 at 696.24. Trading volume on the NYSE was 148m shares by 1 pm.

After Tuesday's losses, the markets settled down as investors awaited the next big move. There was no lead from the economy, but a firmer Treasury market provided some support. Dealers and investors were also pleased that trading volume has been relatively light during the recent sell-off – an indication that the downward move in prices was a consolidatory move, and not a major shift in sentiment.

Among individual stocks, trading in Eastman Kodak was delayed due to an early order imbalance on the sell side. When business finally opened, the stock tumbled $3 to $50½ on heavy selling, before recovering later to show a net loss of $1¾ at $52 in volume of 2.3m shares.

The market was reacting to a downgrade from Mr Eugene Glazer, the sector analyst at broking house Dean Witter Reynolds. Mr Glazer said he had lowered his rating on Kodak from "buy" to "neutral" because he believed that the stock had become overpriced following its recent gains, and that investor expectations may have been driven too high.

Ford eased $⅛ to $48¾ after the car manufacturer reported a big fourth quarter and full-year loss that was roughly in line with market expectations. The other members of the Big Three, however, were firmer, with Chrysler up $¼ at $39½ and General Motors up $¼ at $38¾. The latter was helped by the news that the television network NBC had publicly apologised for rigging tests that purported to show a GM truck bursting into flame after a collision.

Aetna Life & Casualty fell $¾ to $28¼ and Travelers eased $¾ to $28¼ after the two composite insurers unveiled big fourth quarter losses incurred in the wake of a variety of special charges.

On the Nasdaq market, technology stocks were strong, especially the semiconductor sector, which was boosted by news of strong orders from an industry group. Intel rose $4 to $114¾, Applied Materials advanced $½ to $37 and Altera climbed $⅞ to $17⅞.

Canada

TORONTO rose sharply in active trade fuelled by a surge in gold shares. By 1 pm, the TSE-300 index had climbed 27.23 to 3441.23 in volume of 43m shares.

Shares of the flagship Bronfman company Hees International Bancorp rose C$1⅝ or 26 per cent to C$7⅞ as the market continued to respond to Noranda Forest's spinoff of MacMillan Bloedel.

SOUTH AFRICA

STRONG overseas demand for gold shares boosted activity in the sector and the index ended 99, or 11 per cent, ahead at 990, but off the day's high of 1,011. Some analysts reported that new US buyers had come into the market, attracted by the cheap levels of gold stocks. Vaal Reefs rose R17, or 10.4 per cent, to R180. The overall index put on 68 at 3,542 and industrials added 36 at 4,645.

Pharmaceuticals begin to lose their glamour

Paul Abrahams highlights the US/UK switch into cyclicals, and reservations about European growth

Pharmaceutical stocks, a salve for market woes for much of the recession, have started to wobble.

Most British and American drugs stocks have been caught as investors switch out of defensive companies into cyclical recovery plays – groups which have suffered during the slowdown in the world economy, but are likely to post significant earnings increases once it begins to pick up.

European drug groups have also suffered, because the ability of some companies to continue to churn out double-digit earnings growth is becoming increasingly questionable. The operating environment for healthcare stocks is changing fast, and changing for the worse.

The main problem facing the sector is the issue of pricing. Governments around the globe, faced by rapidly growing healthcare spending, are turning their attention to the apparently excessive profits of the drugs groups.

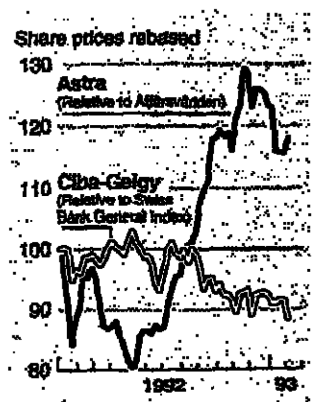
The governments' response has been to limit demand for medicines or cut prices. The Japanese and German markets, the world's second and third largest respectively, both endured price cuts last year.

In the US, legislation against groups which increase prices above the rate of inflation is also being threatened by the Clinton administration.

The effect on the pharmaceuticals market has been a divergence between companies which, in the past, have driven earnings up with volume growth, and those which have produced it with price increases – and will no longer be able to do so.

The most outstanding European drugs stock over the last six months has been the Swedish group Astra.

The company is small compared with Anglo-American industry giants but, nevertheless, it is the world's fastest-growing drugs group. It has outperformed its local market by 35 per cent over the last six months, rising from a low of SKr484 in August to close yesterday at SKr677 in the "B" shares.



Source: Datastream

Astra's volume growth has been outstanding in all of its three main therapeutic areas, gastrointestinal, respiratory and cardiovascular. It is also one of the few pure pharmaceuticals plays on the European continent.

During the first nine months of last year, sales of Losec, its anti-ulcer treatment, increased by 41 per cent to SKr5bn, while those for Pulmicort, its asthma treatment, rose 59 per cent to SKr1.347bn.

The group is predicting a sales increase of up to 25 per cent for the full year, an impressive achievement. James Capel estimates that, during 1991, only 15 per cent of Astra's growth in the US was owed to price increases.

The other outstanding stock has been Roche, the Swiss concern, which has outperformed its local market by about 10 per cent since July. Roche, one of Switzerland's three chemicals giants, is the least exposed to cyclical non-drug operations.

Similar to Astra, Roche is generating growth by increasing sales, rather than prices. With a wide portfolio of relatively small products in terms of sales, its drugs division increased its turnover last year by 16 per cent to SFr6.9bn.

The other Swiss groups have not performed so well. Sandoz has only tracked its domestic market over the last six months. The problem is that Sandoz's pharmaceuticals and nutrition divisions have been held back by the remainder of the group.

Through its construction and chemical activities, the company has been exposed to recession. In addition, its agrochemicals division has also been hit by last year's reform of the European Community's common agricultural policy.

Ciba-Geigy, its Basle neighbour, is the world's largest agrochemical group and has also suffered from the downturn in the world economy.

Although Ciba-Geigy's pharmaceuticals sales have been growing fast, thanks partly to the group's highly successful US launch of its nicotine patch, its speciality chemicals operations have suffered from the general economic downturn.

James Capel estimates that 20 per cent of group operating profits are cyclical, compared with 8 per cent of Roche's.

Ciba-Geigy's shares have underperformed the local market by 10 per cent since July. In particular, the group has suffered from heavy selling of its Authorised Depositary Receipts (ADRs) in the US.

Meanwhile, analysts are also tipping Novo Nordisk because of its volume sales increases. James Capel estimates that only 5 per cent of the Danish company's operating profits are cyclical. The healthcare business is expected to produce double-digit sales growth, as its insulin and hormone replacement therapies continue to do well.

It may also receive a boost from Seroxat, its anti-depressant which has just been launched in the US by SmithKline Beecham, the Anglo-American company.

Big chemical groups with pharmaceuticals divisions, such as Bayer, in Germany, and Akzo, of the Netherlands, have suffered from their vulnerability to economic cycles. However, investors may well be looking to pick up their shares as recovery plays. As usual, timing will be crucial.

EUROPE

Milan eases after resignation of justice minister

CORPORATE and political news dominated trading yesterday, *writes Our Markets Staff.*

MILAN turned lower late in the day as Justice Minister Claudio Martelli – a member of Prime Minister Giuliano Amato's Socialist party – resigned after being told he was under investigation on corruption charges.

The Comit index ended down 3.53 at 496.15 and Italian shares quoted on the Seaq system in London continued subsequently to trade lower.

The bourse had unexpectedly overcome a weak start to trade higher for much of the afternoon session. However, analysts expect that the ever-widening political scandal, together with technical account-end considerations, will make for a choppy ride for the remainder of the week.

Strong overseas demand for Stet took the telecommunications holding company L23 higher to fix at L2,283, before L2,285 after hours.

But Fondiaria, which announced a board reshuffle, dipped L192 to L29,008 before easing to L28,973 in late trade.

FRANKFURT saw a battle between bulls and bears produce a surge in market turnover. The DAX index closed just 8.23 higher at 1,649.81, off an intraday high of 1,656.83, and the indications were that some of the remaining gains were being dissipated in after hours trading. Turnover rose to DM8.2bn from DM5.8bn.

Banks fell again after last week's gains, BHF losing DM5 to DM440 on news of a rights issue. Chemicals were relatively weak on average, Bayer adding a mere 10 pfg to DM257.70 as it detailed a cut in staff bonus payments.

The main winners were carmakers, where Daimler rose DM11 to DM614, and electricals with AEG up DM5.40 to DM168.90 and Siemens DM7.50 better at DM638.50. Dealers said that the main reason for the gains, with fund managers, especially foreigners, underweight in German shares, seemed to have operated irrespective of the depressing fundamentals for the car sector.

FT-SE Actuaries Share Indices

February 10 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1125.44	1126.43	1126.19	1127.47	1126.07	1125.67	1122.00	1121.50
FT-SE Eurotrack 200	1177.34	1176.00	1176.70	1177.76	1175.04	1175.80	1171.11	1171.06

	Feb 9	Feb 8	Feb 5	Feb 4	Feb 3
FT-SE Eurotrack 100	1124.14	1131.12	1129.52	1113.35	1097.03
FT-SE Eurotrack 200	1177.40	1190.15	1189.21	1183.60	1171.25

Base value 1000 (26/10/90) High/day: 100 - 1127.51; 200 - 1178.39 Low/day: 100 - 1121.09 200 - 1170.48 .

PARIS sold Michelin after the tyre group reported a fall in 1992 second half sales. While the figures only confirmed the depressed state of the sector the shares dipped FFr8.90 or 4.5 per cent to FFr187.40. The CAC-40 index, which had seen a day's high of 1,899, closed barely changed, down 0.73 at 1,893.32. Turnover was FFr2.6bn.

UAP was another faller, down FFr10 at FFr520, after releasing disappointing 1992 earnings after Tuesday's close.

Schneider gained FFr11 to FFr666 on news that it was to sell a subsidiary in an effort to reduce debt.

AMSTERDAM was interested in cyclicals while Fokker, which denied reports that credit lines had been suspended, fell to the day's low of Fl 8.40 before recovering slightly to close down Fl 1.00 at Fl 9.40. The CBS Tendency index was unchanged at 97.9 after a high of 98.5.

BRUSSELS was flat after a day of heavy and hectic trade as the market focused on further pressures on the Belgian franc and a subsequent interest rate rise. The Bel-20 index finished virtually unchanged, losing 0.09 to 1,213.85 in high volume of BFr1.71bn.

Electrabel lost BFr170 or 2.9 per cent to BFr5,720, but among dollar-oriented shares, Petrofina gained BFr170 or 2.3 per cent to BFr7,670.

MADRID was active in Banesto prior to the bank announcing that it had reached agreement for a US investment group to take a minority stake. The shares saw a high of Pta2,545 before closing Pta70 higher at Pta2,435. The general index eased 0.77 to 234.26 in turnover of Pta18.6bn.

ZURICH was easier in quiet conditions that left the SMI index 14.9 lower at 2,120.8.

STOCKHOLM was encouraged by hopes of lower interest rates while Ericsson remained a favourite following the release of good 1992 results on Tuesday. Its B shares closed up SKr11 at SKr220 in high volume. The Affärsvärlden index gained 15.6 to 964.5 in turnover of SKr1.5bn.

OSLO remained active with the all-share index gaining 4.76 or 1.2 per cent to 406.62 in turnover of NKr509.1m. HELSINKI extended its gains as investors anticipated a number of company results, and the HEX index rose 15.4 to 926.4.

ISTANBUL broke through the 5,000 level in early trading before retreating on profit-taking. The 75-share index closed down 28.98 to 4,943.40 in turnover of TL500bn.

ASIA PACIFIC

Nikkei firmer ahead of options settlements

Tokyo

A ROUND of small-lot buying at the end of the session lifted share prices, and the Nikkei average closed moderately higher amid quiet pre-holiday trading, *writes Emiko Terazono in Tokyo.*

The 225-issue average gained 67.73 at 17,089.90, having fallen to the day's low of 16,897.86 in the morning session. It recovered towards the close and hit the day's high of 17,092.00.

Volume was little changed at 190m shares against 186m. Activity centred on position adjustment and technical trading by dealers and arbitrageurs ahead of Friday's options settlements. Declines, however, retained a small lead over rises at the close by 474 to 436, with 198 issues unchanged. The Topix index of all first section stocks lost a net 0.17 at 1,295.93, and in London the ISE/Nikkei 50 index eased 0.38 to 1,044.19.

Most investors remained absent ahead of today's national holiday. The sharp rise in the yen against the dollar also unnerved some investors, while the weekend meeting between Mr Yoshiro Hayashi, finance minister, and Mr Lloyd Bentsen, US treasury secretary, was also focusing attention.

Traders said prices moved forward just before the close in technical trading linked to options activity. The settlement price for February options contracts will be fixed on Friday morning.

Export-oriented high technology issues lost ground on the higher yen. Fujitsu retreated Y20 to Y537, while Sony fell Y60 to Y4,080 and TDK, the tape maker, lost Y120 to Y3,370.

Speculative trading by dealers also led activity. Gajoen Kanko, the ailing hotel and restaurant operator, advanced Y25 to Y265 and Nagase moved ahead Y45 to Y830.

Isuzu Motors, the most active issue of the day, rose Y6 to Y380 on the "restructuring theme", while Nissan Chemical appreciated Y8 to Y758.

Non-ferrous metal producers eased on falling gold prices. Sumitomo Metal Mining lost Y1 to Y649 and Mitsubishi Materials Y2 to Y407.

Housing-related stocks advanced on reports of strong condominium sales in January. Daikyo, the leading condominium developer, rose Y29 to Y824 and Mitsui Home gained Y50 to Y1,570 on the second section.

Some oil refiners were firmer on prospects of lower oil import prices due to the higher yen: Showa Shell Sekiyu put on Y30 at Y1,490. Arabian Oil climbed Y50 to Y3,700 on reports that a consortium, including the company, had started an oil development project off the Vietnamese coast.

In Osaka, the OSE average slipped 22.18 to 18,474.38 in volume of 52.4m shares.

Roundup

POLITICAL considerations came to the fore in some Pacific Rim markets.

AUSTRALIAN shares were mostly firmer as the market took a lead from better than expected half-year results from Commonwealth Bank of Australia. The All Ordinaries index added 7.2 at 1,591.1 in turnover that slowed to A$153m.

Shares in Commonwealth Bank, in which the government has a 70 per cent stake, were 23 cents higher at A$6.20.

HONG KONG began quietly, again inhibited by the political outlook, but a late burst of buying, particularly of banking shares, helped the Hang Seng index finish 46.03 stronger at 5,835.55 in turnover of HK$1.9bn.

TAIWAN made a strong start but succumbed to heavy profit-taking in reaction to news that Provincial Governor Lien Chan was being nominated as premier. The weighted index, more than 80 points higher at mid-morning, ended a net 58.93 down at 3,578.10.

BANGKOK was led higher by demand for bank shares and the SET index gained 17.45, or 1.8 per cent, at 990.13.

BOMBAY rose for the third consecutive session, with speculative buying taking the BSE index up 40.44 to 2,812.12.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY FEBRUARY 9 1993								MONDAY FEBRUARY 8 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992/93 High	1992/93 Low	Year ago (approx)
Australia (68)	124.18	+1.7	128.70	95.25	106.66	123.44	+1.9	3.94	122.10	125.75	95.66	105.03	121.08	153.68	108.18	144.88
Austria (18)	141.14	+0.1	146.28	108.27	121.23	120.93	−0.1	1.86	140.98	145.20	110.46	121.27	121.07	186.70	131.18	180.88
Belgium (42)	139.30	−0.6	144.37	106.84	119.64	117.14	−0.6	5.16	140.13	144.33	109.79	120.53	117.84	152.27	131.19	141.85
Canada (113)	117.45	+0.5	121.73	90.09	100.87	107.84	+0.7	3.06	116.91	120.41	91.59	100.56	107.04	142.12	111.36	136.64
Denmark (33)	199.84	−1.8	207.12	153.30	171.64	171.98	−1.4	1.59	203.48	209.57	159.43	175.03	174.49	273.94	181.70	261.78
Finland (23)	66.66	−0.3	69.09	51.14	57.26	81.77	+1.0	1.74	66.83	68.83	52.37	57.49	80.93	89.80	52.84	88.54
France (98)	149.71	−0.4	155.16	114.83	128.57	131.28	−0.5	3.42	150.27	154.76	117.73	129.24	131.94	168.75	136.93	151.86
Germany (62)	109.30	+0.0	113.28	83.85	93.87	93.87	−0.2	2.43	109.34	112.61	85.68	94.05	94.05	129.69	101.59	120.80
Hong Kong (55)	231.58	+0.2	240.02	177.64	198.91	229.93	+0.2	3.93	231.20	238.12	181.14	198.88	229.50	262.28	176.38	194.44
Ireland (16)	133.24	−1.2	138.09	102.21	114.44	127.37	−1.2	4.17	134.85	138.89	105.66	115.99	128.95	173.71	122.98	169.34
Italy (76)	60.38	−2.3	62.58	46.32	51.86	68.77	−2.3	3.02	61.78	63.63	48.40	53.14	70.41	80.86	47.47	78.35
Japan (472)	107.17	+1.0	111.07	82.21	92.06	82.21	−1.1	1.01	106.06	109.26	83.12	91.26	83.12	140.95	87.27	125.13
Malaysia (69)	268.24	−0.1	278.01	205.75	230.38	272.07	+0.1	2.45	268.60	276.64	210.44	231.04	271.91	282.42	212.49	243.75
Mexico (18)	1558.49	−0.9	1615.24	1195.47	1338.54	5272.93	−1.0	1.14	1572.02	1619.07	1231.69	1352.20	5326.43	1789.77	1185.84	1589.26
Netherland (25)	156.35	+0.1	162.04	119.93	134.29	132.62	+0.0	4.29	156.15	160.83	122.35	134.32	132.67	169.70	147.88	154.17
New Zealand (13)	43.20	−0.5	44.77	33.14	37.11	45.14	−0.1	4.84	43.41	44.70	34.01	37.34	45.20	48.52	37.39	45.27
Norway (22)	143.65	+3.5	148.88	110.19	123.38	136.58	+3.5	1.83	138.77	142.93	108.73	119.37	131.99	192.95	128.05	178.83
Singapore (38)	218.78	+0.4	226.75	167.82	187.90	166.05	+0.2	1.98	217.83	224.35	170.67	187.37	165.73	229.63	179.65	226.34
South Africa (60)	166.39	+1.0	172.45	127.63	142.90	167.22	+0.8	3.01	164.75	169.68	129.08	141.71	165.95	263.60	134.21	241.49
Spain (47)	126.74	−1.9	131.36	97.22	108.86	112.63	−1.9	5.39	129.16	133.02	101.20	111.10	114.82	161.72	107.10	159.68
Sweden (36)	159.70	+1.1	165.51	122.50	137.16	175.72	+0.7	2.34	157.99	162.72	123.79	135.90	174.48	200.28	149.69	183.22
Switzerland (56)	111.68	+0.1	115.75	85.67	95.93	105.87	−0.1	2.02	111.61	114.96	87.46	96.02	106.01	122.37	95.98	102.59
United Kingdom (226)	163.40	−2.0	169.35	125.33	140.32	169.35	−1.4	4.40	166.70	171.69	130.60	143.38	171.69	200.07	161.66	182.20
USA (522)	181.90	−0.6	188.52	139.54	156.23	181.90	−0.6	2.77	182.97	188.45	143.37	157.39	182.97	183.74	160.92	168.78
Europe (780)	135.51	−1.0	140.45	103.95	116.39	129.22	−0.8	3.65	136.92	141.02	107.28	117.78	130.33	156.88	131.31	148.15
Nordic (114)	147.42	+0.4	152.79	113.08	126.62	144.01	+0.4	2.07	146.85	151.24	115.06	126.31	143.48	188.52	141.24	183.44
Pacific Basin (715)	111.96	+1.0	116.04	85.88	96.16	88.13	−0.8	1.35	110.88	114.20	86.88	95.38	88.68	141.97	93.70	127.91
Euro−Pacific (1495)	121.48	+0.1	125.90	93.17	104.33	104.44	−0.8	2.39	121.41	125.04	95.12	104.43	105.34	145.21	113.80	136.30
North America (635)	177.90	−0.5	184.38	136.48	152.82	176.88	−0.5	2.79	178.88	184.23	140.17	153.89	177.83	179.56	158.70	166.72
Europe Ex. UK (554)	118.00	−0.4	122.30	90.53	101.37	106.98	−0.5	3.14	118.45	121.99	92.82	101.91	107.52	132.98	111.38	127.41
Pacific Ex. Japan (243)	158.96	+0.6	164.75	121.95	136.54	148.86	+0.7	3.58	157.96	162.68	123.78	135.88	147.76	175.31	146.06	156.35
World Ex. US (1686)	122.72	+0.1	127.19	94.14	105.40	108.50	−0.8	2.41	122.63	126.30	96.09	105.49	107.34	146.91	115.99	138.37
World Ex. UK (1982)	139.63	+0.0	144.71	107.11	119.94	125.77	−0.6	2.37	139.65	143.83	109.42	120.14	126.55	150.58	127.21	144.28
World Ex. So. Af. (2148)	141.64	−0.2	146.80	108.66	121.66	129.26	−0.7	2.56	141.96	146.21	111.24	122.12	130.18	153.05	130.04	146.98
World Ex. Japan (1736)	161.28	−0.6	167.16	123.73	138.54	157.36	−0.6	3.10	162.30	167.16	127.18	139.63	158.25	165.40	151.93	160.83
The World Index (2208)	141.71	−0.2	146.87	108.71	121.72	129.62	−0.7	2.57	142.01	146.26	111.27	122.16	130.53	153.70	130.66	147.58

Latest prices were unavailable for this edition.